

Government Communication

2004/05:114

Sweden's Export Control Policy in 2004 –
Military Equipment and Dual-Use Goods

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The government hereby presents this Communication to Parliament.

Stockholm, 17 March 2005.

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Brief summary of the Communication

In this Communication the Swedish government reports on Sweden's export control policy with respect to military equipment and dual-use goods in 2004. The Communication also contains a presentation of actual exports of military equipment in 2004 and describes the ongoing cooperation in the EU and other international forums on matters relating to military equipment and dual-use goods.

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Extract of the minutes of the Cabinet meeting

Part I - Introduction

1 20th anniversary of the Government Communication

It is now 20 years since the government started reporting on Sweden's export control policy in an annual Communication to Parliament. The first Communication was printed and presented in 1985. Sweden is not under any formal obligation to present a report on the practical conduct of export control policy. Nevertheless, it was one of the first countries in Europe to present transparent reports on the preceding year's activities in the export control sector. The aim has always been to provide a basis for wider discussion of issues related to export controls and non-proliferation.

The form and content of the Communication have changed out of all recognition in the last 20 years. Compared with the present publication the 1985 Communication was a very brief summary of Sweden's exports of military equipment. The annexed tables gave a general picture of the latest statistics, but they contained no detailed explanations or comparative data. Most of the work of making sense of the data was left to the reader. Today, the Communication is a rather detailed annual report whose focus is increasingly on export control policy as a whole. Much more statistical data are also available nowadays thanks to an increasingly transparent policy and more effective information processing systems.

The Government constantly seeks to improve and make the information that is presented to Parliament more transparent. Analyses are made of the proposals and comments made by Members of Parliament and other readers. Consultations on the Communication are held every year with interest organizations. There are also discussions with the other EU member states about the structure of their reports. The innovations and changes that are made every year are the result of this process.

The Communication consists of three parts and a set of annexes. Part I contains an introduction and summary of the year's activities. Part II deals with the implementation of export controls in Sweden, and Part III reports on international cooperation in this area. The annexes include statistics on Sweden's exports of military equipment and dual-use goods, the relevant Swedish and international (EU) regulatory frameworks and a list of international arms embargoes.

2 Exports of military equipment in 2004 and export controls of dual-use goods

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The multilateral agreements and instruments relating to disarmament and non-proliferation are important results of the international community's efforts towards disarmament and prevention of the proliferation of weapons of mass destruction and uncontrolled flows of other weapons. However, there is also a need for strict and effective export controls in order to achieve the declared objectives. Export controls are therefore a key instrument for governments when it comes to meeting their international obligations with respect to non-proliferation.

The export controls themselves are still implemented at the national level. Sweden is under an obligation to make sure that its export controls are responsible and reliable. In order to make sure that the Swedish rules relating to military equipment remain appropriate and realistic, the government appointed a commission of inquiry in 2003 to perform a review of Swedish legislation on military equipment in the light of the changes that have taken place in recent years in foreign, security and defence policy. The commission presented its report in February 2005.

Sweden also takes an active part in and responsibility for international efforts in the export control sector. A great deal of coordination work is done in the multilateral export control regimes and the EU. Efforts to effectively prevent proliferation must be pursued at different levels and in different international forums. Sweden therefore makes every effort, both in the regimes and at the EU level, to further strengthen export control as an instrument for combating non-proliferation and uncontrolled flows of conventional weapons. It should be pointed out in this connection that the EU is regarded as a domestic market for most dual-use goods.

Common European legislation is now applicable in 25 countries to exports of dual-use goods. As regards exports of military equipment from the Union, the politically binding European Union Code of Conduct on Arms Exports provides guidance for a more convergent application of the relevant national legislation in the 25 countries. The overall result is that export controls have been greatly strengthened and become more restrictive in the EU as a whole.

Military equipment

Nowadays Sweden's defence procurement is based on international cooperation, in which Sweden contributes leading-edge technology in certain niches. Sweden makes sure, through international cooperation, that the country's defence, security and foreign policy interests and needs are met. But for Sweden to maintain its position as a leader in certain technologies some exports are necessary in addition to international cooperation. Controls of these exports are necessary in order to ensure that the products exported from Sweden go to pre-approved countries, regimes and entities. Exports of military equipment are thus only permitted if they are justified for security or defence reasons and do not conflict with Sweden's foreign policy.

Details of Sweden's exports of military equipment are presented in the annexes. Figures for recent years are also included in order to put the statistics in context. Sweden is not a major exporter of military equipment and therefore individual sales of large systems cause considerable fluctuations in the annual statistics. To identify a long-term trend it is therefore necessary to compare the statistics for a particular year with those for previous years.

The information in the annual report is based on the reports that manufacturers of military equipment are required to submit by law. The National Inspectorate of Strategic Products (ISP) has collated the reports and submitted documentation for the statistical data on exports of military equipment that are presented in this Communication.

The value of the Swedish defence industry's invoiced sales of military equipment (both in Sweden and abroad) in 2004 totalled MSEK 15,264, which represents an increase of 8% on 2003. The value of actual export deliveries in 2004 was MSEK 7,291, an increase of 12% at current prices compared with the previous year. Exports thus accounted for about 48% of the defence industry's total invoiced sales of military equipment during the year. The figure for exports of military equipment as a percentage of Sweden's total exports in 2004 was 0.8%, which was almost the same as in 2003.

Nearly all of this increase is due to an increase in sales of Combat Vehicle 90 to Switzerland and Finland. The remainder is due to a general increase in exports to several traditional recipient countries, including the United Kingdom, the USA, Greece and South Africa.

A total of 56 countries received deliveries of Swedish military equipment in 2004, compared with 57 in 2003 and 51 in 2002. The regional distribution of exports indicates the normal pattern, i.e. the largest share of Swedish exports of military equipment is destined for the Nordic countries, the rest of Europe and North America. These destinations accounted for more than 76% of total exports in 2004. The largest individual recipient of Swedish military equipment in 2004 was Switzerland (MSEK 1,7941), followed by Finland (MSEK 973), the USA (MSEK 770), South Africa (MSEK 633) and the UK (MSEK 522). These five destinations accounted for 64% of total Swedish exports of military equipment.

The value of the exports for which licences were granted in 2004 amounted to MSEK 6,491, a decrease of 28% on 2003. The value for 2004 corresponded to the average for the last ten years, with the exception of 2001, when licences were granted for two exceptionally large transactions.

The value of licensed exports varies considerably from one year to the next while there is much less variation in the value of actual exports. This is because deliveries related to a single export licence are often spread over two or more years.

Dual-use goods

The second main purpose of export controls is to prevent the proliferation of products that are manufactured for civilian use but can also be used to

produce weapons of mass destruction and military equipment. Effective export controls are necessary to prevent exports that might have a destabilizing effect in other countries. The fight against terrorism has sharpened the focus on export controls and given rise to explicit demands for restrictions with respect to both dual-use goods and military equipment. There is a significant risk of proliferation of weapons of mass destruction.

Cooperation on export controls of dual-use goods takes place mainly through a number of international bodies – multilateral export control regimes. There is continuous discussion within these regimes of which products and technologies should be controlled and which states may be sensitive from the point of view of non-proliferation. These efforts have, in addition, focused increasingly on preventing terrorists from gaining access to sensitive products that could be used for the production of weapons of mass destruction. The threat of terrorism and the increasing globalization of the world economy have demonstrated the need for deeper cooperation on export controls across national boundaries, even though implementation of the controls is mainly governed by our national legislation.

The workload of the export control regimes¹ continued to increase in 2004. In May, Sweden assumed the presidency of one of them, the Nuclear Suppliers Group (NSG), and hosted its annual plenary meeting in Gothenburg. The term of the presidency is one year. Ten new members were admitted to the EU on 1 May, and during the spring they carried out an extensive review of their national export control systems in preparation for accession. This work is an important element of the EU's strategy against the proliferation of weapons of mass destruction, which was adopted in 2003. The enlarged EU continued to enhance its active role in the regimes. Naturally, the question of membership dominated the EU's agenda in the regimes, since several new EU member states were not members of those regimes. This problem was solved during the year in the NSG and the Australia Group (AG), but has not yet been finally resolved in the Missile Technology Control Regime (MTCR) and the Wassenaar Arrangement (WA).

3 Information activities

Informationsverksamhet Information activities relating to the trade in military equipment are undertaken at both national and international level. The government's annual report on Swedish exports of military equipment is published in the context of its efforts to achieve greater transparency. The annual report is published in Swedish and English and is available on the websites www.ud.se, www.isp.se, www.lagrummet.se, www.regeringen.se as well as Rixlex (www.riksdagen.se).

¹ The Zangger Committee (ZC), the Nuclear Suppliers Group (NSG), the Australia Group (AG), the Wassenaar Arrangement (WA) and the Missile Technology Control Regime (MTCR).

The annual report that is issued within the framework of the EU Code of Conduct for Arms Exports is an important instrument for increasing transparency at the European level. Sweden has called for continuous improvement and expansion of this report. The Code of Conduct will be found in Annex 4 to this Communication. As a further measure to promote information access in this area at the international level the government has, ever since the 1960s, provided funding for the Internet database managed by the Stockholm International Peace Research Institute (SIPRI) (www.sipri.se), which contains information on national and international export control regimes and some statistics on holdings and exports.

An important task for the ISP is to disseminate information about export controls, both to the general public and to the companies concerned. As usual, the ISP arranged seminars and information meetings in 2004 on its activities primarily for personnel in the industry.

The Inspectorate also took part in a number of seminars arranged by non-governmental organizations (NGOs) both in Sweden and in other countries. It has also continuously improved its website (www.isp.se) in order to make its content and appearance as easy to understand and informative as possible. In order to increase transparency in connection with exports of military equipment, the ISP now publishes concise monthly data on the export licences for military equipment that are granted. Relevant regulatory documents and lists of both military equipment and dual-use goods are also available on the above website.

Part II – Export controls in Sweden, competent authorities etc.

4 Swedish exports, export controls and export aid

What are export controls and why are they needed?

For defence, security and foreign policy reasons Sweden has decided to permit exports of military equipment to a certain extent (the reasons for this are explained below). But a country that exports arms is also responsible for making sure that they do not fall into the wrong hands. There are two ways of preventing this. First, it is necessary to define what the “wrong hands” are, i.e. in what circumstances Sweden considers that arms must not be exported to a certain recipient. Second, an implementation system must be developed to make sure that the rules are obeyed. The Swedish rules consist of the Military Equipment Act, with the related Ordinance, and the Swedish guidelines on exports of military

equipment. Within the framework of the implementation system an independent authority, the National Inspectorate of Strategic Products, considers applications for export licences in accordance with these rules.

However, it is not enough for Sweden to design and apply export controls at the national level. In order to discharge its responsibility for preventing undesirable proliferation of arms, it must also take an active part in international cooperation in this area. The world has changed drastically since the end of the cold war, and the opportunities for transparency and cooperation between countries have never been better. For example, the EU, now with 25 member states, agreed in 1998 on a politically binding Code of Conduct on Arms Exports. The Code was revised during the year to make it a stronger export control instrument.

Why should Sweden export military equipment? A security policy perspective on the defence industry and the role of exports

The political map of Europe has changed since the early 1990s, and Sweden has had to modify its positions on international issues accordingly. Our foreign, security and defence policy assessments have changed, and this also entails consequences for the Swedish defence industry.

Owing to the changes that have taken place in security and defence policy, however, the cold war objective of maintaining an independent domestic defence industry that could design and develop specifically Swedish solutions is no longer considered either possible or even desirable in the light of Sweden's overall interests.

In view of the principle of non-participation in alliances it is in Sweden's security interests to collaborate with like-minded countries on joint security-promoting activities and crisis management. Such collaboration also extends to military capability.

The new security and defence policy also entails collaboration on defence equipment supplies. The principle of self-sufficiency as regards equipment for Sweden's defence has been replaced by a growing need for cooperation with like-minded states and neighbours.

Nowadays Sweden's defence procurement is adjusted to the capacity of our defence for international operations and its need of resources to defend our territorial integrity.

International cooperation on defence equipment procurement is essential for a flexible defence and adaptability in the face of new threats and risks that may arise. The adaptability of Sweden's defence has been given high priority by Parliament, and the government has stated that it is vital to security policy in a non-aligned country like Sweden that other countries should consider our defence adaptability credible. It therefore lies in Sweden's security interests that we should maintain long-term and continuous cooperation with like-minded countries. This mutual cooperation is based on both exports and imports of military equipment.

Continued participation in international cooperation on military equipment will promote and safeguard Sweden's long-term foreign, security and defence policy interests both in the short and the long term. The defence policy aspects are connected with Sweden's non-

participation in alliances, among other things. The foreign and security policy goals in this area, including efforts to combat the uncontrolled proliferation and destabilising stockpiling of weapons and Swedish participation in international peace-promoting activities, are achieved by permitting exports to and cooperation with countries that are crucial to Swedish security interests.

Equipment procurement, both in Sweden and in other countries, is nowadays based on agreements and mutual dependence. Cooperating countries are mutually dependent on supplies of components, subsystems and complete systems, as well as products manufactured in each country. A country must maintain domestic strategic know-how, high-tech capacity and a certain defence industry capacity to be able to participate in mutual equipment supply.

Sweden will only remain an attractive international cooperation partner – and a partner in the mutual equipment supply collaboration framework that we desire – if it can maintain an internationally competitive level of technology.

A competitive level of technology can only be maintained if there are sufficient financial resources for the domestic industry to survive and develop, as well as a certain amount of cooperation with other countries. Exports are considered an essential factor for ensuring that Swedish technology remains internationally competitive.

Internationally competitive technology also offers better opportunities in connection with international cooperation for Sweden to exert influence on international export control cooperation. This applies especially to the EU, but also in a broader international context.

By participating in the Six-Nation Initiative between the six largest industrial countries in Europe Sweden can actively influence the development of defence industry and defence export policies in Europe. In the long run, this will affect the emerging EU common defence and security policy both directly and indirectly.

Previous decisions taken by the government and Parliament

The two bills *Renewal of Sweden's Total Defence* (Gov. Bill 1996/97:4, p. 154) and *The New Defence* (Gov. Bill 1999/2000:30) established that in the light, inter alia, of diminishing appropriations for military equipment for Sweden's armed forces and the contracting international market, closer international cooperation was crucial for the survival of Sweden's defence industry and the future adaptability of its armed forces.

The first of these Bills also stated that it is important for the government and the Swedish authorities to support the defence industry's export efforts in an active and structured manner, provided that they are consistent with the existing guidelines for Swedish exports of military equipment.

The Parliamentary Standing Committee on Defence urged the government in its report 1998/99:FöU1 to take further measures in order to promote export successful major military equipment projects, such as the JAS 39 Gripen aircraft. The Defence Committee too has emphasized the importance of active government measures to support exports.

An essential condition for payment of state export aid is that the export transaction is approved from the point of view of export control by the competent authority.

The final report of the Commission on Military Equipment Supplies (SOU 2001:21) observed that exports of military equipment are important from the point of view of Sweden's security and defence policy since they contribute to maintaining the domestic enterprises' capability and capacity. Successful exports also contribute to the domestic industry's image. Active export promotion measures by the government and the relevant authorities were considered necessary to improve the industry's prospects of marketing and selling equipment abroad.

There are several reasons for the government to involve itself in export support activities, and these are summarized in the Bill Continued Renewal of the Total Defence (Gov. Bill 2001/02:10). For example, exports help to lay a sustainable technological and industrial foundation for new development, as well as to maintain and further develop existing equipment systems. Furthermore, exports are an important element in strengthening the international competitiveness of the domestic industry. It is also an advantage to broaden the customer base for equipment that is used by the Armed Forces, since this offers opportunities for sharing development costs, coordinating training and maintenance and exchanging experience concerning the use of the equipment.

As regards the globalization of the Swedish defence industry, and the related restructuring measures, this process is likely to continue. There is still considerable excess capacity, particularly in the European defence industries.

Dual-use goods

Dual-use goods are goods that are produced for legitimate civil uses, but can also be used for military purposes, for example for the production of weapons of mass destruction and military equipment. The international community has in the last three decades developed various cooperation arrangements for the purpose of limiting the proliferation of these goods. This task is performed mainly by the export control regimes, which adopt control lists of products for which a licence must be obtained. One of the reasons why such controls are necessary has to do with history, i.e. the fact that some countries have developed weapons of mass destruction programmes despite having signed international agreements prohibiting such activities. The countries in question have acquired the necessary capacity by importing civilian products that can be used for military purposes. A good example of dual-use goods is fire protection clothing, which is used for perfectly legitimate civil purposes, but can also be used in a chemical laboratory to produce nerve gas, for example. History shows that countries that acquire military capacity by using civilian products imported those products from exporting countries that were not aware that they were contributing to the development of weapons of mass

destruction. Often, the same application was sent to different countries, some of which refused an export licence, while others granted a licence. There was therefore obviously a need for closer cooperation and information-sharing between producer countries. This need resulted in the establishment of the export control regimes.

The inclusion of a product in a control list does not automatically mean that exports of the product are prohibited; it is, rather, a precautionary measure. The need for caution has been underscored in recent years by the threat of terrorism. In the EU the control lists adopted by the various regimes are incorporated into the Annex to Council Regulation (EC) No 1334/2000 setting up a Community regime for the control of exports of dual-use goods and technology, and they constitute a basis for decisions to grant or refuse export licences. The regimes, like the EU, also use a mechanism that makes it possible to control products that are not included in the lists in cases in the event that it comes to the knowledge of the exporter or the licensing authorities that the product is intended for military use. This is known as a catch-all mechanism. Much of the work done at the national level, at the regional level within the framework of Nordic cooperation and in the EU, as well as in the regimes themselves, consists of internal and external outreach activities directed at industry and at other countries, such as those that are developing export control systems.

The multilateral agreements on disarmament and non-proliferation of weapons of mass destruction, e.g. the Ottawa Convention on the prohibition of the use, stockpiling, production and transfer of anti-personnel mines and the UN Programme of Action on Small Arms and Light Weapons, are central international instruments for the protection of peace and security in the world. They are important results of the international community's efforts towards disarmament and prevention of the proliferation of weapons of mass destruction and uncontrolled flows of other weapons. However, there is also a need for strict and effective export controls in order to achieve the declared objectives. Export control is therefore a key instrument for governments when it comes to meeting their international obligations with respect to non-proliferation. The EU Code of Conduct on Arms Exports is one example.

The export controls themselves are always implemented at the national level. However, a major coordinating exercise is in progress in the multilateral export control regimes and the EU. Efforts to effectively prevent proliferation must be pursued at various levels and in various international forums. Sweden therefore takes an active part in the regimes and the EU in order to further strengthen export controls. The best solution would be for all EU member states to become members of all the export control regimes since the EU is a domestic market for most dual-use goods. Goods and services traded between EU member states are not exports, but goods and services sold to non-EU countries are. This means that all 25 EU member states are dependent on one another's export control systems. Effective Swedish export controls may be of little use if export controls in another EU state are ineffective. This makes the question of membership of the export control regimes especially urgent.

5 Sweden's defence industry – structure and products

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Sweden's defence industry has, as a result of the international restructuring process, undergone great changes in recent years. The consolidation process in the defence industry started in the USA in 1993 and left most of the industry under the control of six large corporations. Restructuring started a little later in Europe and has so far been most successful in the aviation sector.

Sectors

The main sectors in Sweden's defence industry today are:

- Network-based command and control systems
- air vehicles
- combat vehicle systems
- short-range combat systems
- robust telecommunications systems
- naval combat systems
- radar reconnaissance systems

The common denominator is the high technological standard of the products that are developed. A number of large and small companies in Sweden also operate in other defence industry sectors.

Ownership structure

The ownership structure of the Swedish defence industry has changed in parallel with the rationalization and consolidation of the defence industry. Starting in 1997, the government has sold all state-owned interests and international ownership has increased sharply. Companies such as Bofors Defence, Land Systems Hägglunds and Kockums are wholly owned by foreign companies. About one-fifth of Saab is owned by the British company BAE Systems. Ericsson Microwave Systems and Volvo Aero are today the only two large defence industries that are wholly owned by Swedish industry interests.

International operations

While foreign ownership is on the increase in Sweden, Swedish companies are also investing abroad. 13 Swedish defence industry companies reported interests in 42 defence industry companies in 18 countries in 2004.

Increasingly, Swedish companies cooperate with companies in other countries in order to share development costs, be able to run larger and longer production series and market their products more effectively. Companies in Sweden prefer bilateral projects, since such projects are considered to offer a better chance of surviving at a higher system level,

which also means greater profitability. Bilateral projects are also considered to be easier to implement. Skr. 2004/05:114

6 The Defence Bill and Swedish exports of military equipment

The government bill *Our Future Defence* (2004/05:5) presents the government's current approach to export aid. The bill states that the basic purpose of promoting exports of military equipment is still to ensure that Sweden's defence has access to capacity and equipment and then points out that the industry has increased the export share of sales as a result of the decline in equipment orders. This increase is considered necessary for the industry to succeed in maintaining and developing technology and expertise for the Swedish Armed Forces. Swedish and foreign requirements need to be harmonized in order to achieve increased interoperability and cost-effectiveness. The government intends to improve the management and conduct of the export aid system by elaborating strategies adapted to the long-term planning of the defence industry companies. It also plans to allow the defence agencies to become more involved in the implementation of export aid, which according to the Bill proposes should be concentrated on specific niches.

The Bill also mentions the growing trend towards leasing or selling to interested client countries military equipment that is no longer needed for the Swedish Armed Forces' operational capacity. It also mentions that, as a result of the reduction of the Swedish operations-based defence organization, leasing and sales are likely to increase still more. The government also considers it permissible to lease and sell advanced equipment that is surplus to operational needs to the domestic industry too as a form of export aid.

7 The work of the Military Equipment Commission and its report

The task

I In July 2003 the government appointed a special investigator to head a commission of inquiry into the options for the future Swedish export control system and propose a framework for it. The inquiry was to be based on Sweden's foreign, defence and security policy determinants and its international undertakings with respect to export controls. The commission submitted its report to the government on 15 February 2005.

The investigator was to study the changes that have taken place in international cooperation and developments in the arms and military equipment industry. On the basis of this study he then examined the

instruments that are now used for the purposes of Sweden's export controls. He reviewed the relevant legislation and guidelines and proposed some changes. He was instructed to pay particular attention to and consider, among other things, the need to: Skr. 2004/05:114

- further regulate the arrangements for supplies of military equipment;
- regulate imports of military equipment;
- carry out a review of the government's guidelines;
- regulate activities with respect to services, technical assistance and maintenance in the field of military equipment; and
- amend the criminal provisions in the legislation relating to military equipment.

The investigator also evaluated the outcome of the delegation of decisions to the ISP and the progress made on consultations with the Inspectorate's Export Control Council.

The report

The investigator observes in the report that Sweden has gradually increased its participation in European and transatlantic cooperation structures since the end of World War II. Exports and the production and development of military equipment are now significant cooperation areas. The investigator also states that nowadays there is no conflict between non-participation in military alliances and participation in these structures. In view of the current security climate, the report concludes that Swedish self-sufficiency in defence equipment is neither necessary nor economically feasible. Instead, Sweden must share the costs of development and production with other countries. There is also increasing cooperation on export controls in the EU, and Sweden is already committed to compliance with the EU Code of Conduct on Arms Exports that has been adopted by the EU member states.

As a consequence of the changes described by the commission of inquiry, it proposes a number of adjustments to the Swedish regulatory framework in this area, including the following:

- The term 'military equipment' should be replaced by 'defence equipment'.
- Sweden's Military Equipment Classification should be replaced by the EU Common Military List.
- The guidelines on exports of military equipment should be further developed and modernized.
- Industrial policy should be an additional factor in favour of granting export applications.
- The Code of Conduct on Arms Exports should be integrated into the Swedish guidelines.
- As a rule, licences should be required for imports of military equipment.
- Licences should be required for the provision of technical assistance to other countries.

The commission's report will be circulated for review during the first half of 2005. The government will then decide whether to draft a bill and present it to Parliament. Skr. 2004/05:114

8 The National Inspectorate for Strategic Products

Background

The National Inspectorate of Strategic Products (ISP) is the agency that is responsible for matters relating to licences and exports of both military equipment and dual-use goods. Under section 1a of the Military Equipment Act and section 5 of the Strategic Products Act the Inspectorate must, on its own initiative, refer matters that are deemed to be of interest from the point of view of principle or of particular importance for other reasons to the government for a decision. The ISP works in close consultation with the Ministry for Foreign Affairs and the Ministry of Defence.

The ISP was established on February 1, 1996 as the authority responsible for implementing the controls laid down in the Military Equipment Act and the corresponding Ordinance. The Inspectorate thus assumed responsibility for most of the matters previously decided by the government following preparation by the Inspectorate-General of Military Equipment and the department within the Ministry for Foreign Affairs that was responsible for exports of strategic products. The ISP was also assigned responsibility for controls under the Control of Dual-use goods and Technical Assistance Act (2000:1064) and the corresponding Ordinance. In addition, the ISP has been designated the competent national authority within the framework of the UN Chemical Weapons Convention (CWC).

Contacts with companies

The ISP maintains regular contacts with the companies whose exports are the subject of its control activities. Companies are required to provide the ISP with quarterly reports on their marketing of military equipment in other countries. These reports form the basis for the ISP's periodic briefings with the companies regarding their export activities. Besides processing applications for licences, the ISP reviews the notifications that companies are required to submit at least four weeks before submitting tenders or signing contracts for exports of military equipment or other cooperation with foreign partners in this field. Finally, exporters of military equipment must notify the deliveries of military equipment that are made under the export licences issued to them.

There is also close cooperation between the ISP and companies that manufacture dual-use goods. Among other things, the ISP arranges

seminars on an annual basis as an outreach activity for these companies. There are some differences between the Control of Exports of Dual-Use Goods Act and the Exports of Military Equipment Act that affect the arrangements for contacts between the Inspectorate and the companies concerned. It is, for example, not always easy to identify the companies concerned. This is because dual-use goods are more difficult to classify. The control lists that are drawn up pursuant to EC Regulation 1334/2000 provide guidance regarding items for which export licences are required.

Financing

The ISP is financed by annual fees paid by the manufacturing companies. These fees are assessed on the basis of the total invoiced value of controlled products delivered in excess of 2.5 MSEK a year. Since the fees are calculated on the basis of deliveries both in Sweden and abroad, there is no direct connection between the size of the fees and export orders. The fees are paid to the Ministry of Finance and not to the ISP, in order to avoid any direct connection between the Inspectorate's operations and the payments made by the industry. The Inspectorate's current activities are financed by a budget appropriation in the normal way and its costs are covered by annual fees paid by the industry in arrears, when the actual cost of operations and the value of companies' invoiced deliveries is established.

Applications

The ISP received a total of 1,408 applications for export licences in 2004. 366 of these related to dual-use goods. The corresponding figures for 2003 were 1,391 and 321, and for 2002 1,406 and 279, respectively. One explanation for the declining trend is that the Inspectorate increasingly makes use of project licences with more detailed specifications and a longer period of validity. General licences have also been introduced for military equipment belonging to Swedish or foreign armed forces. There is also an increasing trend towards an export licence requirement for exports of dual-use goods.

116 industry declarations were submitted in 2004 by the industry to the ISP within the framework of the Chemical Weapons Convention, compared with 107 in 2003. The corresponding number of declarations submitted to the OPCW (Organisation for the Prohibition of Chemical Weapons) secretariat in the Hague was 41, the same figure as in 2003. Industry declarations are statements about the operations carried on at companies or plants that use, import and export certain sensitive chemicals on a professional basis. Two Swedish plants were inspected by the OPCW in 2004 under the verification provisions of the Chemical Weapons Convention.

The ISP continued its efforts to rationalize licensing procedures during the year in order to simplify the administrative process for routine applications. The Inspectorate's aim is to process applications for export licences within a month of receipt, and eventually within two weeks. The

system for secure electronic communication between the ISP and exporters of military equipment that came into operation in 2003 was further developed in 2004. Measures were also taken during the year to link this system with the electronic case management system that has already been installed at the Inspectorate. Many of these measures are consistent with the Inspectorate's efforts to work towards achievement of the government's objective of making it a 24-hour agency.

The Export Control Council

Under chapter 10, section 6 of the Instrument of Government the government must, wherever possible, consult the Advisory Council on Foreign Affairs before taking decisions on important matters relating to foreign affairs. Under this provision, some matters relating to exports of military equipment call for consultation with the Council. However, it has also been considered desirable to achieve a broader political consensus in connection with other matters relating to such exports that are of interest from the point of view of principle. Parliament therefore passed a Bill (1984/85:82) in 1984 that proposed greater transparency and consultation in matters relating to exports of military equipment and the establishment of an Advisory Board on Exports of Military Equipment. The Board was reorganized on February 1 1996 in connection with the establishment of the National Inspectorate of Strategic Products (ISP), and was renamed the Export Control Council. At the same time its composition was broadened to reflect the broader composition of the Advisory Council on Foreign Affairs today. All the political parties in Parliament are therefore represented on the Export Control Council, which has ten members. The Council is also authorized to discuss applications relating to dual-use goods, although it has not done so yet. An up-to-date list of the members of the Council, as well as the date and agenda of the Council's last meeting, are available on the ISP's website, www.isp.se.

The Council is convened by the head of the ISP, the Inspector-General of Military Equipment, who also chairs the meetings. The Director-General is to keep the Council informed of the Inspectorate's activities with regard to export controls. At meetings of the Council the ISP submits matters that are subject to consultation for consideration by the Council. The Ministry for Foreign Affairs participates in the meetings, presenting assessments of the recipient countries under consideration, and the Ministry of Defence contributes assessments of the defence policy aspects. The Council seeks to interpret the guidelines in a consistent manner in order to provide further guidance for the Inspectorate. The Council is also authorized to discuss applications relating to dual-use goods, although it has not done so yet.

The members have unrestricted access to the documentation of all export licence application procedures since all decisions on export sales are presented on a continuous basis. This also ensures that Parliament is kept informed of the application of the Military Equipment Act (1992:1300) and has a say before important decisions are taken. The Inspector-General of Military Equipment can also consult the Council

when necessary on matters concerning the application of the Controls of Dual-Use Goods and Technical Assistance Act (2000:1064). Skr. 2004/05:114

The purpose of the Swedish system, which is unique in that Members of Parliament can discuss potential export transactions in advance, is to build a broad consensus on export control policy and promote continuity in the conduct of that policy. By contrast with many other countries, the Export Control Council deals with cases at a very early stage, even before a concrete transaction is being considered. Since it would harm the export companies if their plans were made known before they had made a deal, the discussions with the Export Control Council are not public. Another reason for this is that these discussions do not lead to decisions, but only recommendations to the ISP. Apart from this, assessments of individual recipient countries are subject to confidentiality in relation to foreign affairs.

The Advisory Council on Foreign Affairs, and not the Export Control Council, is still consulted in cases where this is prescribed by the Instrument of Government.

Nine meetings of the Export Control Council were held in 2004.

The Technical and Scientific Council

The Technical and Scientific Council, which consists of representatives of several institutions with expertise in technological applications for both civilian and military uses, was established in 1984 to assist the Inspector-General of the National Inspectorate of Strategic Products in connection with decisions concerning the classification of military equipment and dual-use goods. The Council held one meeting in 2004. Two members have resigned from the Council during the year, and two new members will therefore be appointed in the early part of 2005. An up-to-date list of the members of the Council will be found on the ISP's website (www.isp.se).

Part III – International cooperation

9 Cooperation in the EU on export controls of military equipment

The EU Code of Conduct on Arms Exports

EU:s The EU Code of Conduct on Arms Exports (see Annex 3.3), the present version of which was adopted in 1998, specifies common criteria for exports of military equipment that are to be applied in connection with national assessments of export applications. In addition to the Code

there is a list of products that are subject to controls and a user handbook with a detailed guide to implementation of the provisions of the Code on information-sharing and consultations etc. The Code represents a lowest common denominator in the area of export controls and there is nothing to prevent individual member states from pursuing a more restrictive policy.

Under the Operative Provisions of the Code, member states are to exchange notifications of 'denials', i.e. normally rejections of applications for export authorization. If another member state is considering granting a licence for an essentially identical transaction, consultations are to take place before the licence can be granted. The consulting member state must also notify the notifying state of its decision. The exchanges of notifications of denials and the following consultations on the notifications tend to make the EU's export policy more uniform. The consultations promote a consensus on the various export destinations, and the fact that the member states notify each other of the export transactions they deny reduces the risk of export controls being undermined due to the granting of an export licence by another member state in such cases.

In 2004 Sweden received 352 notifications of denials from 15 member states and submitted 6 notifications of denials in respect of the year 2004². These denials related to the following countries (with the criterion referred to in each case): Iran in two cases (Criterion 5 – the national security of the member states and friendly and allied countries), Taiwan (Criterion 4 – preservation of regional peace, security and stability), China in two cases (Criterion 1 – obligations of member states to enforce embargoes and Criterion 4), and Serbia and Montenegro (Criterion 3 – the internal situation in the country of final destination).

The fact that exports to a certain buyer country have been denied in a specific case does not mean that the country is not eligible for Swedish exports. The Swedish export control system does not use country lists, i.e. lists of countries that are either approved or not approved as recipients. Each export application is considered on a case-by-case basis in accordance with the guidelines adopted by the government for exports of military equipment.

COARM's activities

The Council Working Group on Conventional Arms Exports (COARM) is a forum in which the fifteen member states regularly discuss the implementation of the Code of Conduct, exchange views on individual export destinations and draft guidelines on the member states' regulatory framework on export controls. Information about this work, about agreements that have been concluded and statistics on the member states' exports of military equipment are published in an annual report.

Under Operative Provision 8 of the Code of Conduct on Arms Exports, each member state is to circulate to other Member States an annual report

² Due to the ISP's continuous contacts with the industry, the number of notifications is relatively small.

on its defence exports and on its implementation of the Code of Conduct. These reports are discussed at an annual meeting, which also reviews the operation of the Code of Conduct and identifies any improvements that need to be made. A consolidated report, based on contributions from the member states, is then prepared. This report shows that the Code, which is based on political agreement and does not constitute law, has led to significant changes in the member states' national rules and policies.

The sixth annual report, which was approved and published by the Council on 21 December 2004 (OJ 2004/C 316/01) presents the decisions taken by COARM during the year.

A great deal of effort was made during the year to update and modernize the text of the Code for the first time since it was adopted in 1998. Sweden took an active part in this work. The proposed new text contains a number of clarifications, and certain provisions, especially the operative provisions, have been tightened up. It is proposed, for example, that the Code should be declared applicable to all types of transfers of military equipment, including transfers in the form of licensing agreements, transit or drawings that are transmitted via the Internet. As regards the criteria, the proposals include a new text to the effect that recipient countries' respect for international humanitarian law should be taken into account. It is hoped that it will be possible to adopt the new text in the first few months of 2005.

In response to the aim of achieving greater convergence between different policy areas, Sweden also worked actively towards a common approach to interpretation of the criteria in the Code of Conduct. As a first step, Sweden, together with the United Kingdom, sponsored a project relating to application of Criterion 8 ("the Development Criterion"). As was the case in the work on the user handbook, Sweden is a member of the group that is preparing proposals for a method of implementing the assessments referred to in Criterion 8. This work will continue in 2005.

In 2004 the member states decided to systematize the EU's outreach activities in non-EU countries in order to open and maintain a dialogue on export control policy. The purpose is to encourage other countries to develop export control systems on the lines of the Code of Conduct on Arms Exports. Systematic outreach activities involve identifying countries as destinations for visits and seminars, contacting them and setting up a database for these activities, whether they are undertaken jointly by several EU countries or on a bilateral basis between a single EU country and a non-EU country. The aim is to make outreach activities more effective and to provide opportunities for the EU to speak with one voice on export control and the values on which EU cooperation is based. The holder of the EU presidency and a number of member states also organized several outreach seminars together with neighbouring and candidate countries during the year.

Here are some of the priorities that were identified for 2005:

- Continued efforts to harmonize national reports in order to produce clearer, more transparent summary tables;
- Monitoring and evaluation of the implementation of the Common Position on arms brokering;

- Examination of the possibility of cooperation on controls of end users of military equipment exported by EU member states
- Further development of common methodologies for the application of the criteria set out in the Code of Conduct on Arms Exports;
- Continuation of the policy of promoting the principles and criteria of the Code of Conduct among third countries.

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Cooperation on defence industry matters

The Working Party on a European Armaments Policy (POLARM) is an ad hoc EU group in this field that was set up in 1995, and its task is to analyse the alternatives for European defence industry policy and propose future measures within the framework of Community law. The group only held a few meetings in 2004 as the member states preferred to wait until the newly established European Defence Agency became operational.

The Foreign Affairs Council decided in 2004 to set up a European Defence Agency (EDA). The purposes of the Agency include developing defence capabilities in the field of crisis management, promoting and enhancing European armaments cooperation, strengthening the European defence industrial and technological base and creating a competitive European defence equipment market. The establishment of the Agency will also contribute to implementation of the Common Foreign and Security Policy, with special emphasis on European security and defence policy. The Agency is also expected to establish relations and collaborate with, alternatively to subsequently incorporate, LoI, OCCAR and WEAG/WEAO.

10 International reporting on arms transfers

In December 1991 the United Nations General Assembly adopted a resolution urging member states to report both their imports and exports of major conventional weapons to a Registry of Conventional Arms. Trade in the following seven categories of weapons is reported: tanks, armoured combat vehicles, heavy artillery, combat aircraft, attack helicopters, warships and missiles/missile launchers. In consultation with defence agencies and the ISP, the Ministry for Foreign Affairs compiles annual information which is submitted to the UN in accordance with the above-mentioned resolution.

114 of the UN's 191 member states had reported their transfers for 2003, the 12th year of the UN Registry, by the end of February 2005. Since all the major exporters with the exception of North Korea and all the major importers except some countries in the Middle East report to the Registry, it is estimated that over 90% of the legal world trade in these weapons is covered by it. Sweden's share of the world trade in the relevant types of major conventional weapon systems continues to be modest.

In 2003, which is the last year for which information has been submitted, Sweden reported exports of one CV9030 combat vehicle to Finland, 60 CV9030s to Switzerland, 22 206S tracked carriers to Germany, six 120 mm mortars to Estonia, six 120 mm mortars to Latvia, six 120 mm mortars to Latvia and two Sjöormen (Sea Serpent) submarines to Singapore. In addition, exports of Robot 70 to Australia and Robot 15 to Finland were reported. Sweden did not report any imports in any of the seven weapon categories. The report for 2004 will be compiled in April 2005 when all the statistics have been processed.

Since 1990 the government has, in the context of Sweden's efforts to promote greater transparency in this area, presented the United Nations with the English translation of its annual report to Parliament on exports of military equipment. Since the autumn of 1996 the information submitted to the UN Registry has been available on the United Nations website (www.un.org).

The reporting mechanism for military equipment used by the Wassenaar Arrangement (see section 17 in this Communication) is based on the seven categories reported to the UN Registry, although a breakdown into subcategories has made some categories more detailed.

The 33 member states have agreed to report twice yearly in accordance with an agreed procedure and to include further information on a voluntary basis. The purpose of this agreement is to bring destabilizing accumulations of weapons to the notice of the member states at an early stage. Exports of dual-use goods and technology are also reported to the Wassenaar Arrangement twice a year.

Cooperation with the UN Secretariat

Sweden actively promotes increased reporting to the UN Arms Registry and proposed collaboration with the UN Secretariat in this area back in 2002. One result of the cooperation with the UN Secretariat during the year is that Sweden helped to stage a regional seminar in Nairobi arranged by the Secretariat with a view to promoting reporting to the Registry and to show how export controls can help to prevent proliferation and conflicts, not least with regard to small arms and light weapons. The participants represented 11 countries in the region encompassing the Horn of Africa and the Great Lakes. There are plans for continued Swedish support for the UN's seminar activities in Africa and Asia as a means of promoting export controls and transparent reporting of arms transfers to the UN. Through the National Inspectorate of Strategic Products Sweden took part in a regional seminar in Managua, the capital of Nicaragua, on the role of export controls in combating uncontrolled proliferation of small arms and light weapons.

What are arms embargoes and when are they imposed?

Sometimes events in a country or region make it necessary for the international community to take measures to show that the actions of one or more governments are unacceptable. One measure that can be taken is to impose an embargo on a country. An embargo means that a number of countries agree, for example, to prohibit trade with a certain country. An embargo is in the nature of things a temporary, exceptional measure and may be more or less comprehensive. Arms embargoes are a special type of embargo under which one or more countries decide not to permit exports of arms to a recipient country. An embargo can apply to all types of military equipment, or to specific categories. Other exemptions may also be set out in the text of the embargo. Embargoes are reviewed at regular intervals to determine whether they should remain in force, whether the terms should be changed or whether they should be lifted. Several factors are taken into account when a decision is made, including an analysis of whether the reasons for imposing the embargo in the first place are still valid.

The purpose of an embargo is usually to send an unambiguous political signal to a regime to show it how other countries view events for which the regime is responsible and also to try to influence, and achieve specific objectives with regard to, the country's policies. Generally speaking, this instrument is only used when all other efforts to exert international political pressure have failed. Embargoes should be clearly defined and of a temporary nature. Their purpose is therefore not to permanently regulate exports of military equipment to a particular country. The lifting of an embargo does not necessarily mean that arms can be exported to the country concerned. The national laws and rules of each exporting country determine the terms on which exports can be approved.

An arms embargo imposed by the UN Security Council, the EU or the OSCE is an absolute obstacle to Swedish exports under the guidelines on exports of military equipment. The EU's member states comply fully with such binding decisions on arms embargoes.

In certain cases, arms embargoes that are stricter than those imposed by the Security Council are agreed upon unanimously within the framework of the Common Foreign and Security Policy. This may be regarded as an expression of the member states' resolve to adopt common responses to various security policy issues. An arms embargo imposed by the EU is implemented in accordance with each member state's national export control rules.

Decisions to impose embargoes, to be implemented nationally by member states, are also taken occasionally within the framework of intergovernmental cooperation in the OSCE.

In 2004 Sweden was bound by arms embargoes against 15 countries. The EU was involved in embargoes against 10 countries (often, more than one organization imposes an embargo on the same country). Annex 5 contains a list of the embargoes that were in force in 2004.

The EU decided during the year to lift the embargo on Libya. This decision was a consequence of the EU's conclusion that the circumstances that led to the imposition of the embargo in 1986 had changed.

Far-reaching discussions were also held during the year concerning the EU's arms embargo on China. This embargo was agreed as a result of the events in Tiananmen Square in 1989. It is not comprehensive. The wording allows exports of several categories of military equipment. However, Sweden has elected to apply the embargo strictly and has not allowed any imports of military equipment at all to China. In December 2004 the EU member states agreed on a statement declaring that the EU was willing to lift the embargo in 2005, but that lifting the embargo would not lead to an increase in arms exports to China, either in qualitative or quantitative terms. The statement also emphasizes the importance of the Code of Conduct on Arms Exports, especially the criteria relating to human rights and regional security and stability. A great deal of work, in which Sweden took an active part, has been done during the year to strengthen the application of the Code of Conduct and reach agreement, in particular, on exchanges of information between EU member states when an embargo is lifted. The aim is to adopt the new rules before a decision is taken to lift the arms embargo on China.

12 Efforts to combat the proliferation of small arms and light weapons

The term "small arms and light weapons" basically refers to firearms and other weapons that are intended to be carried and used by one or more persons, but a uniform definition has not been adopted.

Work is in progress in various international forums with a view to preventing and combating destabilising accumulations and uncontrolled proliferation of small arms and light weapons. Sweden attaches great importance to these efforts and plays an active part in them. Sweden's view is that all countries should adopt and pursue a responsible export policy by means of exhaustive legislation and rules. The objective is to establish effective, well-administered control systems that are capable of controlling manufacturers, buyers, sellers, agents and intermediaries. In cooperation with the UN Secretariat Sweden helped to arrange a regional seminar in Nairobi in May 2004 for 11 countries in the Horn of Africa and around the Great Lakes. One of the purposes of the seminar was to show the participating countries how effective export controls can prevent uncontrolled proliferation of small arms and light weapons.

One of the aims of the UN's work on small arms and light weapons is to raise awareness of their destabilizing effects in conflict regions. Non-proliferation of such weapons is also important in the struggle against cross-border crime and terrorism. An action programme containing basic rules on controls of the production of and trade in small arms and light weapons was adopted at the 2001 UN Conference on the Illicit Trade in Small Arms and Light Weapons. The action programme will be reviewed in 2006. Negotiations were launched in the UN in 2004 in order to achieve an international instrument for labelling and tracing small arms and light weapons. The negotiations are expected to be completed in 2005.

13 International cooperation on military equipment

Six nation initiative – *Letter of Intent (LoI)*

In July 2000 the six large defence industry nations in Europe, France, Italy, Spain, the United Kingdom, Sweden and Germany, signed the most important defence industry cooperation agreement so far at governmental level, the Framework Agreement. This agreement was negotiated as a result of the Letter of Intent (LoI) – the Six-State Initiative – adopted by the countries' defence ministers in July 1998. The purpose of the agreement is to promote the rationalization, restructuring and operation of the European defence industry, and it focuses mainly on the supply side, i.e. the supplier states. Six working groups have subsequently worked to put the principles of the framework agreement into practice. The areas covered are: security of supplies, export controls, security protection, defence-related research and technology, treatment of technical information, harmonization of military requirements and protection of commercially sensitive information.

Four of the six working groups continued their work in 2004 and presented reports at regular intervals to the Executive Committee that was set up in 1998. As regards export controls, a sub-agreement to the Framework Agreement was signed during the year. It lays down detailed rules on the procedures and consultations provided for in the part of the Framework Agreement that deals with export controls. The drafting group also studied several matters that are directly relevant to export controls, such as the framework for controlling intangible transfers, harmonization as far as possible of the global project licences that are to be issued in the Six-Nation Zone, ways of measuring the efficiency gains associated with these licences and appropriate procedures for reporting to national parliaments.

Ways of modernizing and streamlining the practical administration of export controls at the national level were also studied, in which connection comparative studies were made of the countries' control and licensing systems. On behalf of the Executive Committee the working group also examined the possibility of a freer flow of military equipment between the Six, and at a later stage perhaps between all EU member states. These studies will continue in 2005.

Western European Armaments Group (WEAG)

The WEAG member states consist of all European NATO allies except Iceland and all EU member states except Ireland. The origin of the Organization is the Independent European Programme Group (IEPG), a NATO initiative from the 1970s, and since 1991 it has been linked to the Western European Union (WEU). The WEAG is organized in a number of panels, and its tasks include identifying cooperation projects in the equipment sector, harmonizing military requirements, strengthening the European research and technology base and seeking joint solutions as regards financing, procedures etc.

Western European Armaments Organization (WEAO)

The organization was set up in 1996, the intention being eventually to transform it into a European armaments agency. Its main activity so far has been to contract for research and technology (R&T) projects and monitor their progress on behalf of the WEAG.

Organisation Conjointe de Coopération en matière d'Armement – Organization for Joint Armaments Cooperation (OCCAR)

The organization, which is an embryonic European armaments agency, was set up following a French-German initiative in 1996 and could be called the first – and so far the only – body whose task is to promote effective procurement in connection with multinational armaments projects. Since 2001 OCCAR has had the right to manage tender procedures and sign contracts for projects involving two or more member states.

Nordic cooperation on military equipment

In the Bill *Continued Renewal of the Total Defence* (Gov. Bill 2001/02:10) the Government presented a general agreement on aid for industrial cooperation in the military equipment sector between Denmark, Finland, Norway and Sweden, which was signed on June 9 2001, for the approval of Parliament. The agreement, which as regards export controls is largely modelled on the Framework Agreement between the LoI states, reflects the changes in the Nordic defence industries that have been under way for several years. Defence industry cooperation between the Nordic

ammunition company NAMMO AS, which was formed in 1998 out of parts of the Norwegian company Raufoss ASA, the Finnish company Patria Industries Oy and the former Swedish company Celsius AB, was the subject of a first annex to the general agreement. Parliament approved the agreement on December 11 2001 (Parl. Comm. 2001/02:104). The agreement was ratified by the parties in 2002 and entered into force on November 24 2002.

In 2004 the inter-Nordic working group negotiated new annexes to the agreement and persuaded the three countries to agree on the wording of two more annexes relating to the Land Systems Hägglunds Group, which consists of Land Systems Hägglunds AB, Patria Hägglunds Oy, Finland, and HB Utveckling AB, Sweden, and to PD Aerotech, which consists of Danish Aerotech, Denmark, Patria Aviation OY, Finland, and Patria Ostermans Aero AB and Patria Heli-Support AB, Sweden.

It is also worth mentioning in this connection the similar Nordic cooperation between the armaments agencies, which is called NORDAC (Nordic Armament Co-operation). This cooperation goes back to a framework agreement signed by the countries in 1994 and revised and adopted in 2000, and more than 60 inter-Nordic cooperation projects have been implemented under its aegis since the start. The main purpose of this cooperation is to achieve economic, technological and industrial advantages in the defence equipment sector for the four countries, to utilize the countries' defence industry resources effectively and efficiently and to seek to increase cooperation between the countries' defence industries. This cooperation comprises both bilateral and multilateral projects and is also open to companies in other countries. There is continuous information-sharing in relation to the work of the Western European Armaments Group (WEAG), Panel 1.

On the subject of inter-Nordic companies and the intensified integration of the European defence industry in response to overcapacity, it may be mentioned that in 2003 the jointly owned Swedish-Finnish gunpowder and explosives company Nexplo Industries AB was sold to a French buyer, SNPE Matériaux Energétiques, after which the Nordic parent companies Saab AB and Patria Industries, together with the French buyer, formed a new parent company called Eurengo, with the subsidiaries Eurengo France, Nexplo, Nexplo Bofors and Nexplo Vihtavuori. In 2004 representatives of the French, Finnish and Swedish governments discussed the principles for an agreement on security of supply and export controls relating to Eurengo's products. The Swedish share of Eurengo is less than 20%.

14 The international arms trade

The Stockholm International Peace Research Institute (SIPRI) compiles statistics on the trade in military equipment in its Yearbook and in a database. These statistics are based on trend indicator values and relate to transfers of major conventional weapons. According to the most recent information from the SIPRI Arms Transfers database, transfers of major

conventional weapons increased from USD 17,178 million in 2003 to USD 19,162 million in 2004. Skr. 2004/05:114

During the five-year period 2000-2004 Sweden was ranked in 9th place in SIPRI's list of exporters of major conventional weapons (aircraft, warships, artillery, armoured vehicles, missiles, and target acquisition and radar systems) with 1.53 % of world exports, which totalled USD 84,490 million during the same period. The largest exporter, Russia, accounted for over 31,9% of global exports during that period, followed by the USA (30.7%), France (7.5%), Germany (5.8%) and the UK (5.3%).

The leading importer of major conventional weapons during the period 2000-2004 was China, which accounted for 13.8%, followed by India (10.1%), Greece (6.2%), the UK (4.0%) and Turkey (3.9%). Sweden was in 53rd place during the period with 0.3% of total imports of major conventional weapons. More information is available in the SIPRI Arms Transfers database on the website www.sipri.se.

15 Corruption in the international arms trade

Sweden has been engaged in close cooperation with the UK section of the organization Transparency International (TI-UK) for almost six years. The purpose of the cooperation project is to combat corruption in the international arms trade.

The method used is to provide a new forum for an open and constructive dialogue between representatives of public administration, the military sector, the defence industry and academia. Several meetings and seminars were held in Sweden and the United Kingdom during the first few years of the project for this purpose. The participants at these meetings represented both producer countries and consumer countries at various stages of economic development.

These meetings laid a solid foundation for the formulation of action programmes. At its first meeting in Stockholm in February 2002 the project steering committee took important steps towards identifying concrete proposals for action. The main priority was to introduce the TI's Integrity Pact concept in the international arms trade. The basic principle of this concept is that the buyer and the tenderers should conclude an agreement guaranteeing that no bribes or undue benefits will be demanded or given. Another priority is to merge the many ethical programmes that exist in the industry into a single model.

Activities in 2004

The project was completely revitalized in 2004. The economic and administrative problems that hampered the elaboration of the project's action programmes in recent years were resolved in late December 2003. As a result, new TI-UK personnel worked hard in 2004 to put across the two main ideas of the project to industry and interested governments. One aim was to further develop ideas conceived during the early years of

the project and to make them work in practice. The results that have been achieved so far are very promising. Contacts with industry indicate that there is great interest in this issue. The project workers were also prepared in December 2004 to start work on the first international anti-corruption pact for the arms trade – the Defence Integrity Pact.

Skr. 2004/05:114

The project's international information campaign continued, and representatives of TI-UK, together with Swedish representatives, took part in a major export control conference in London in November. Project representatives also took part in export control seminars. Sweden intends to pursue this issue, inter alia in the EU and relevant export control forums. Continuing discussions between the Ministry for Foreign Affairs and other interested ministries are also envisaged.

16 Cooperation in the EU on dual-use goods

The export control regimes and the EU

The EU's work on export controls of dual-use goods is closely connected with the international work of the export control regimes. The work carried out in Brussels is coordinated, in particular, by two working parties – CONOP (Council Working Party on Non-Proliferation) and WPDU (Working Party on Dual-Use Goods), which updates the control lists provided for by EC Regulation 1334/2000.

The year's work on the control lists

The alterations to the regimes' control lists are inserted in the annex to the EC Regulation and are thus legally binding in all EU member states. The updated control lists for 2003 were adopted in August 2004 after a slight delay due to enlargement. Adoption of the alterations made in 2004 may be delayed too since some of the new member states are not yet members of the MTCR and WA. (For more information on the MTCR and WA see section 17 below). Hopefully, this issue will be resolved in early 2005.

Article 18 of the Regulation contains guidelines for the working party that is chaired by a representative of the Commission. The main task of this working party is to deal with questions of interpretation in relation to the Regulation, but it did not meet in 2004.

The Peer Review project

Ten new member states joined the Union on 1 May 2004. Since Council Regulation (EC) No 1334/2000 is legally binding in all EU member states, the existing member states were keen to help the new members to implement the Regulation. The EU's strategy against the proliferation of weapons of mass destruction also provides for certain measures to

strengthen export controls in the Union, including peer review of national export control systems, with special emphasis on the candidate countries' systems. This review was implemented in the spring of 2004 under the aegis of the relevant Council working group.

The review was carried out in the form of group visits to all the 25 countries. Each group consisted of representatives of two member states and one candidate country. The visiting groups examined national implementation of Council Regulation (EC) No 1334/2000 and considered possible improvements. This work resulted in about 40 reports, which were then consolidated in a final report on the peer review exercise and an action plan to strengthen export controls.

Sweden was represented in two groups, one together with Estonia and the Netherlands and the other with Denmark and Lithuania. Sweden coordinated the work of the latter group and also hosted a joint meeting in Stockholm. The main result of the peer review was a broader and stronger European export control network, but it also helped to improve mutual understanding and knowledge among the member states on the eve of enlargement.

EU coordination within the regimes

The EU's involvement in export controls of dual-use goods has a political dimension. Joint actions by EU member states in the various regimes have become increasingly common in the last few years and are now a natural element of the work being done in Brussels and in connection with regime meetings. The issue that dominated the EU's agenda in the regimes in 2004 was the question of membership.

Sweden has long advocated membership of the regimes for all EU member states. The main reason for this is the desirability of a positive attitude to the regimes as transparent forums, which would strengthen export controls in the EU and facilitate the work of both the EU and the regimes. Following decisions taken by the NSG and AG in 2004, all EU member states are now members of those regimes. Despite diligent efforts on the part of the EU, some of the new member states have not yet been admitted to the MTCR and WA.

One task – several groups

Export controls are the responsibility of several different EU groups. The responsible body in the military equipment sector is COARM, while in the dual-use sector it is COMOP. The latter group coordinates concerted EU action on political matters within the export control regimes. Matters relating to conventional weapons that are addressed by the Wassenaar Arrangement are also discussed by COARM. The working party for EC Regulation 1334/2000 is responsible for alterations in the control lists in relation to all the regimes. In 2003 Sweden, together with other EU member states, proposed that the division of roles with regard to export controls in Brussels should be simplified. One proposal is to set up a joint political and technical group for export control. The advantages of such a

group have become even more obvious in connection with the coordination of the EU's position with regard to the question of membership of the regimes.

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The EU's strategy against the proliferation of weapons of mass destruction

In March 2003 Sweden initiated a discussion in the EU on ways of developing and strengthening the Union's common policy on weapons of mass destruction. This initiative resulted in the adoption of basic principles for a strategy and an action plan, which was adopted by the EU's heads of state and government at the European Council in Thessaloniki in June. A refined and more detailed strategy was adopted at the Brussels European Council in December the same year.

The strategy is based, among other things, on the EU's support for strong national and internationally coordinated export controls. Efforts will be made to emphasize the role of the EU as a leading cooperation partner in the multilateral export control regimes and to support the new member states' applications for membership of these regimes. The action plan comprises a series of concrete measures relating to export controls. The objective is to strengthen export controls in an enlarged Europe in various ways, to assist third countries by providing technical assistance on export controls and to seek to improve information-sharing on proliferation risks in the export control regimes.

17 Cooperation in the international export control regimes

What are weapons of mass destructions?

The issue of non-proliferation of weapons of mass destruction has been high on the international agenda ever since the late 1980s. The main reasons for this are that certain countries in unstable regions seek to acquire weapons of mass destruction and there are signs that non-state actors are increasingly interested in acquiring such weapons too. Terrorist threats have become the main focus of attention following the attacks on September 11 2001.

The term 'weapons of mass destruction' means nuclear, chemical and biological weapons. Efforts to prevent the proliferation of such weapons usually extend to weapon carriers such as long-range ballistic missiles and cruise missiles too. 'Non-proliferation' is understood to mean multilateral measures designed to prevent the spread of weapons of mass destruction. These measures are sanctioned by a number of multilateral conventions and promoted by the export control regimes with their less formal mandate.

Among the international agreements special mention may be made of the 1968 Treaty on the Non-Proliferation of Nuclear Weapons (NPT), the 1972 Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction (BTWC) and the 1993 Convention on the Prohibition of the Production, Development, Stockpiling and Use of Chemical Weapons and on their Destruction (CWC). Sweden is a party to all three conventions (see Sweden's Agreements with Foreign Powers 1970:12, 1976:18 and 1993:28).

Under the NPT, non-nuclear-weapon states undertake not to receive or manufacture nuclear weapons, and the nuclear-weapon states commit themselves to disarmament. Under Article III, the parties also undertake not to provide source or special fissionable material, or equipment or material especially designed or prepared for the processing, use or production of special fissionable material, unless the source or special fissionable material is subject to International Atomic Energy Agency (IAEA) safeguards.

Under Article III of the BTWC the parties undertake not to transfer, either directly or indirectly, equipment that can be used for the production of biological weapons.

Similarly, Article I of the CWC imposes a general obligation on the parties never to "transfer, directly or indirectly, chemical weapons to anyone".

The multilateral export control regimes

Although the primary objective of these international agreements is disarmament and prevention of the proliferation of weapons of mass destruction, all three agreements mentioned above contain provisions encouraging the parties to promote trade for peaceful purposes. The reason for this is that a substantial proportion of the products and technologies concerned are dual-use goods, i.e. they can be used for both civilian and military purposes.

For the purpose of facilitating international cooperation on non-proliferation of weapons of mass destruction, about thirty countries have joined a number of multilateral export control regimes: the Zangger Committee (ZC), the Nuclear Suppliers Group (NSG), the Australia Group (AG), the Missile Technology Control Regime (MTCR) and the Wassenaar Arrangement (WA). Details of the memberships of these export control regimes will be found in Annex 5. The purpose of the regimes is to identify products and technologies that can be used to produce weapons of mass destruction, exports of which should therefore be subject to coordinated control, and to exchange information on proliferation risks. This work also includes contacts with third countries in order to promote the regimes' non-proliferation aims. However, unlike the conventions in this area the export control regimes are not based on internationally binding agreements. Their activities are based, rather, on a common desire to prevent the proliferation of weapons of mass

destruction and national legislation on export controls for products and technologies that are identified as strategic products. Participation in these regimes also makes it easier to meet the international legal obligation laid under the abovementioned conventions to refrain from assisting other states, directly or indirectly, to acquire weapons of mass destruction.

Basic concepts used by the regimes

Two key concepts in this multilateral cooperation are ‘denials’ and ‘no undercut’. The latter term means that a member of a regime which denies an export licence for a specific transaction with reference to the regime’s objectives is expected to inform the other members of its decision. The other members of the regime are expected to consult the state that has issued this denial before deciding whether to grant an export licence for a similar transaction. This consultation procedure is referred to as the ‘no undercutting’ principle. The system of issuing denials is used by the NSG, the AG, the MTCR and the WA. The ‘no undercut’ consultation procedure is used by the NSG, the AG and the MTCR.

The export control regimes after September 11 2001

The terrorist attacks in New York and Washington on September 11th caused mass destruction without the use of weapons of mass destruction in the conventional sense. The circulation of anthrax bacteria in the USA during the autumn of 2001 demonstrated that biological material that can be used in biological weapons had fallen into the wrong hands. In the light of these events and the risk of terrorists gaining access to weapons of mass destruction, cooperation in the multilateral export control regimes now focuses to a great extent on terrorist threats. The first step has been to declare explicitly in the regimes’ basic documents that one of the purposes of their activities is to prevent the spread of dual-use goods to terrorists. The WA introduced this provision in 2001, the AG and NSG in 2002 and the MTCR in 2003. Another measure is to expand information exchange to include the risk of items being transferred to non-state actors, who may be present in any country.

Catch-all clauses

In order to further strengthen export controls the regimes have also introduced a catch-all clause in their guidelines (see Annex 6: Explanations). Catch-all clauses provide a legal basis for carrying out export controls on goods and technologies that are not included in the regimes’ control lists where there is reason to suspect that they may be used for the production of weapons of mass destruction or related weapon carriers. The AG introduced a catch-all mechanism in 2002. The MTCR and WA did the same in 2003 and the NSG in 2004. The EU,

which has already provided for this mechanism in Regulation 1334/2000, Skr. 2004/05:114 has played an active part in promoting these efforts, and so has Sweden.

The Zangger Committee

The Zangger Committee, which was formed in 1974, deals with export control matters within the framework of the Nuclear Non-Proliferation Treaty (NPT). The Committee defines the meaning of the term “equipment or material especially designed or prepared for reprocessing, use or production of special fissionable material” in Article III of the Treaty. The NPT lays down that such equipment, as well as source and special fissionable material, may only be exported to a non-nuclear state if the fissionable material is subject to IAEA safeguards. The equipment is specified in the Committee’s control list, which is continuously updated in the light of technological developments. The list can be found in the IAEA’s information circular no. 209 (INFCIRC/209/Rev. 2).

In 2004 the Zangger Committee concentrated mainly on preparing for the next NPT review conference in 2005. In that connection it discussed issues relating to the Committee’s activities and information about its role and work in the NPT framework.

The Nuclear Suppliers Group

The Nuclear Suppliers Group (NSG), which was originally called the London Club, was established in 1974, partly in response to India’s explosion of a nuclear device that year. The NSG focuses on export controls of products that can be used to produce nuclear material for use in weapons and of dual-use goods that can be used for the production of nuclear weapons. These items are specified in the IAEA’s information circular number 254, which includes a control list for each group of items (INFCIRC/254/Rev. 7/Part 1 and INFCIRC/254/Rev. 6/Part 2).

In 2004 the NSG completed preparations for inserting a catch-all clause in its guidelines. This means that all the export control regimes have now adopted such clauses. The NSG took further measures during the year, on Sweden’s initiative, to further strengthen information-sharing in the NSG on proliferation risks. It closely followed developments in Iran and North Korea in the nuclear sector and the exposure of A.Q. Khan’s proliferation network. Work was done in several areas to tighten up the NSG’s conditions for supplies of goods included in the control lists. China, Estonia, Lithuania and Malta were admitted as new members. This means that all the five nuclear states and all EU member states are now represented in the NSG.

The Australia Group

The Australia Group (AG) was formed in 1985. Its aim is to harmonize its members’ export controls in order to prevent the proliferation of biological and chemical weapons. Originally it was only concerned with

chemicals and chemical production equipment. However, the members of the Group decided in 1990 to extend its control lists to include microorganisms, toxins and certain types of production equipment for biological weapons.

The AG took various measures during the year to reduce the risk of chemical and biological products being diverted for non-peaceful purposes. These measures focus on the effectiveness of national export control systems, on transit transports and on brokering in connection with the trade in products covered by the regime. It was also decided to add nine new chemicals and five new pathogens to the regime's control lists. The regime is also prepared to assist in implementation of UN Security Council Resolution 1540. Estonia, Latvia, Lithuania, Malta and Slovenia were admitted as new members of the AG. This means that all EU member states are now members of the AG.

The Missile Technology Control Regime

The Missile Technology Control Regime (MTCR) was set up as a result of an American initiative in 1982. It focuses on export controls of complete missile systems (including cruise missiles, space launch rockets and missiles and sounding rockets) with a range of 300 km or more. Controls also extend to components of such systems and other products that can be used to produce such missiles.

In 2004 the MTCR launched efforts to strengthen export controls in the fields of intangible transfers, transit and transshipment, as well as brokering. The regime also decided to maintain its close contacts with third countries on non-proliferation issues and to support UN Security Council Resolution 1540, in particular by seeking to ensure that countries that are not members of the regime apply the MTCR's control lists. Bulgaria was admitted as a new member of the regime during the year.

The Wassenaar Arrangement

Background

The Wassenaar Arrangement (WA) was formed in 1996 as a successor to the multilateral export control cooperation that had previously taken place within the framework of the Coordinating Committee on Multilateral Export controls (COCOM). COCOM concentrated on the Warsaw Pact. It became increasingly apparent after the end of the cold war that cooperation within the COCOM framework must be extended to include former Eastern bloc countries. COCOM ceased to exist on March 31 1994, and after three years of negotiations a new export control regime was established – the Wassenaar Arrangement.

The WA's aim is to contribute to regional and international security and stability by promoting transparency with regard to transfers of conventional weapons and dual-use goods, thus helping to avoid destabilizing accumulations. The WA's activities are based on the

principle that trade in the items in the control lists should be permitted, but must be controlled. Skr. 2004/05:114

The WA targets a broader product portfolio than the other export control regimes. Two control lists are attached to the basic document: the Munitions List, which covers conventional military equipment, and the List of Dual-Use Goods and Technologies, which covers technologies with civilian and military uses that are not included in the control lists of the other control regimes.

Activities in 2004

In 2004 the WA concentrated on implementing the decisions taken by the regime in 2003. Apart from this, outreach activities were a major issue. Among other things, a technical meeting was held with China. The WA's first large-scale information seminar was held under Swedish management. Over 130 representatives of about 50 different organizations and interested non-member states took part.

As in the other regimes, membership was a key issue. The participating countries agreed to admit one of the seven applicants for membership, i.e. Slovenia, at the plenary meeting in December.

As regards technical matters, considerable attention was devoted to the question of controls of night vision technology. This question is of great interest to Sweden and discussions will continue in 2005. The 2003 review laid a solid foundation for continued development and deepening of the regime's work. This trend continued in 2004, and there are good prospects for further development in the future.

Further information about the WA is available on its website, www.wassenaar.org.

18 Swedish presidency of the Nuclear Suppliers Group (NSG)

In 2004 Sweden hosted the NSG's annual plenary meeting, which was held in Gothenburg on 24-28 May. At this meeting Sweden assumed the presidency from South Korea. Sweden will hold the presidency until the next plenary meeting in June 2005, when it will be Norway's turn.

During Sweden's presidency year the regime will focus mainly on the NSG's contacts with third countries. The purpose of these contacts is to inform these countries about the NSG's activities, conduct a dialogue on non-proliferation issues and promote compliance with the NSG's export control guidelines. The NSG can also provide technical assistance in order to strengthen national export control systems. It does this, for example, in connection with visits to the capitals concerned, and seminars are also on its programme.

The regime also conducts a dialogue through its president with the International Atomic Energy Agency (IAEA) on matters of common interest. The president is also in contact with the committee that was set up under UN Security Council Resolution 1540 to discuss export controls

and other matters so as to be able to contribute expertise in this area should the need arise. Skr. 2004/05:114

19 Raising awareness about export control policy – outreach activities

An EU-coordinated information activity on export controls

The ISP accounts for much of the information about export controls in Sweden, but a great deal of information is also provided by international bodies. The purpose of these activities is to strengthen the international export control system by raising awareness of the need for export controls and what this involves. These efforts are directed primarily at countries and regions that are not currently involved in multilateral activities in the regimes or in the field of military equipment. These countries often have a well-established national export control system, but lack international contacts. Apart from the information value of the seminars and meetings that are arranged in this connection, they also offer opportunities for more open discussions of various problems and proliferation risks. This promotes broader international cooperation on issues that are of interest to most responsible exporting countries.

For several years the EU's member states have engaged in outreach activities and sent deputations to non-EU countries to discuss export control policy. The main focus of these activities has been on the EU Code of Conduct on Arms Exports and how it works in practice. In 2004 the member states decided to make these activities more systematic. This means identifying countries as destinations for visits and seminars, contacting them and setting up a database for these activities, whether they are undertaken jointly by several EU countries or on a bilateral basis between a single EU country and a non-EU country. The aim is to make outreach activities more effective and to provide opportunities for the EU to speak with one voice on export control and the values on which EU cooperation is based.

Regions in focus during the year included Central and Eastern Europe, the Balkans and Africa. A number of seminars and conferences were held during the year, for example in Riga (export controls), Vilnius and Oslo (Nordic-Baltic export control meetings), Tallinn, Minsk (effective border controls), Zagreb (EU Code of Conduct, dual-use goods), Prague (EU Code of Conduct) and Nairobi (controls of small arms and light weapons etc.). Swedish participants were invited to make presentations and in some cases to conduct certain activities.

Information activities in the export control regimes

The regimes are keen to have a good dialogue with non-members and interest organizations. The purpose of these contacts is to create

transparency of the regimes' activities, promote their non-proliferation objectives and, where necessary, offer technical assistance in order to strengthen national export control systems. These activities are pursued within the framework of the regimes' outreach programmes. As president of the NSG Sweden is currently in charge of this work.

Several conferences on export controls were also held in 2004, and Sweden took an active part. Among other things, the Wassenaar Arrangement (WA) held its first large-scale information seminar during the year. The annual international export control conference was also held, this time in London. Apart from broad international efforts, Sweden also acted at the regional level, mainly by helping its Baltic neighbours in their pre-accession preparations.

Nordic-Baltic cooperation

Nordic-Baltic cooperation on export controls has broadened and deepened considerably. Regular meetings now take place between representatives of the Nordic and Baltic states in connection with this cooperation. These meetings provide opportunities for exchanges of information and views concerning topical export control issues, with reference to both military equipment and dual-use goods.

The main activity in 2004 consisted of continued efforts to promote membership for the Baltic states in the export control regimes.

20 Intangible transfers

The question of controls of intangible transfers, i.e. transfers of software or technology, is a subject that has exercised most of the export control regimes, the EU and several member states for several years. Such transfers can involve both military equipment and dual-use goods. Transfers between countries are made mainly via electronic media (computer networks and the Internet). Technology can also be transmitted orally (person to person) by researchers, consultants and other experts.

Council Regulation 1334/2000 defines 'software' as 'a collection of one or more "programs" or "microprograms" fixed in any tangible medium of expression. 'Technology' means specific information necessary for the 'development', 'production' or 'use' of goods. This information takes the form of 'technical data' or 'technical assistance'.

The focus of ongoing work is on electronic transmission via the Internet. Special attention needs to be paid to electronic transmission of software and technology in connection with export controls, and in the light of recent developments there is a risk of such transmission becoming a weak link in the export control chain. The Internet offers excellent opportunities for transferring software and technology. The global spread of the Internet makes it possible to store export-controlled technology and software in places that are unknown to and inconvenient for the exporter.

There are enormous numbers of potential transmitters and receivers, and for non-state actors, such as terrorists and organized crime, electronic transmission is simple, cheap and safe to use for their purposes. This increases the risk of terrorists using transferred information to produce and/or use weapons of mass destruction. Use of the Internet is increasing their opportunities for carrying out information operations designed to paralyse essential functions ('cyberterrorism').

It is particularly important in connection with export control to take measures to prevent illicit electronic technology transfers (as defined above). All large exporters, both of military equipment and dual-use goods, use the Internet to keep abreast of and disseminate technology. Exporters may use inputs from suppliers in other countries in their production. Much of the practical cooperation now takes place with the help of the Internet. Such process chains can be long and complex, and it is difficult to establish where sensitive export-controlled components are developed and incorporated into the final product.

In 2004 the Ministry for Foreign Affairs launched an in-depth analysis of the opportunities, threats and risks associated with the Internet that are relevant to export controls of electronically transmitted software and technology. The analysis is being performed by experts in the relevant agencies with input from several other ministries. The work is expected to be completed by the summer of 2005.

The analysis will provide data for continued efforts to strengthen Sweden's export controls and for Sweden's positions in the EU and the export control regimes.

21 Galileo – a European civilian positioning system

The European Community has been developing the Galileo satellite navigation system since the end of the 1990s. The aim is to have a European alternative to the American GPS system, which is a military system but is also used for civilian purposes. Galileo is a civilian system and is under civilian control. However, its signals can be used by anyone for various purposes, including the purpose of enhancing national security.

The European Council's conclusions from the summits held during the period 1999-2004 have emphasized the strategic importance of Galileo. Council Conclusions issued on 10 December 2004 specified the signal services to be offered by Galileo during the operational phase (which is scheduled to last from 2008 to about 2032). At the same time the Council made decisions relating to the commencement of production and operation, security matters, the start-up of the recently established surveillance authority, and public and private financing.

Galileo will consist of about 30 radio navigation satellites, about 10 main ground stations and two control centres. The satellites will transmit navigation and time signals, which can be received by receivers on the

ground or in the air and recorded in the form of time data and receiver location data. Skr. 2004/05:114

It will be possible to insert time and location data in various IT-controlled applications and link them to electronic maps. The receivers can be located on individuals (watches, mobile telephones, special equipment) or in cars, ships, aircraft, missiles, smart bombs etc. Receivers will also be able to send signals indicating their precise location (two-way communication). Several technical infrastructure systems in Sweden (operation of electricity systems, telecommunications systems, mobile systems, air traffic control etc.) are dependent on accurate time data from navigation satellites. If the time signals are jammed or, even worse, altered, this would affect Swedish infrastructures and their users.

Galileo and GPS, and the corresponding Russian system Glonass as well, have a limited frequency spectrum. The signals overlay the assigned spectra and interfere with one another. If a signal is misused in connection with a military conflict, a country may decide to jam the illegal signal, with the consequent risk of having its own signals jammed.

Several key issues regarding Galileo were dealt with in 2004. An agreement concerning GPS and Galileo was concluded between the USA and the European Community and all its member states in June. A crucial issue from the USA's point of view is to ensure that Galileo's signals do not jam GPS's future military signals in the event of a crisis, which would affect not only the USA's defence but also the defences of other Nato countries and the Swedish Armed Forces as well. The most important issue for the EU's member states is to ensure that Galileo's Public Regulated Service is not disrupted by GPS signals. Both sides agreed on national security criteria for the design of GPS's and Galileo's signal services.

This part of the agreement, which is about national security, was negotiated in the EU by a team chaired by Sweden. The security agreement was signed by Sweden and the USA. Sweden was assigned this task on account of its presidency of Working Group SG2 (International Relations) on the Galileo Security Board.

Among other important issues that were dealt with in 2004 were the inclusion of security requirements, including non-proliferation and export controls, in cooperation agreements on Galileo concluded by the European Community and its member states on the one hand and third countries (Israel, Russia, India, Ukraine, Morocco) on the other. A major revision of the security specifications for Galileo's future ground stations has been launched. The EU's surveillance authority for Galileo, which was recently established, has been given responsibility for all security procedures during the production and operation programme phases, except where the Council of Ministers is responsible. The Council has decided on the procedure for implementation of a joint action if a member state reports that its national security is threatened as a result of the use of Galileo. The work of defining which satellite navigation receivers should continue to be subject to export controls and which receivers can be sold without restrictions was intensified during the year. These are awkward issues for Galileo, which is a civil system largely

funded by the private sector. The relevant export control lists are prepared by the Wassenaar Arrangement. The EU subsequently makes decisions about inclusion of these lists in the member states' national rules. Skr. 2004/05:114

Annexes

22 Annex 1: Swedish exports of military equipment in 2004

22.1 Introduction

The National Inspectorate of Strategic Products (ISP) continuously monitors Swedish companies' marketing and exports of military equipment, and it supplies the government with the statistical data for the annual report on exports of Swedish military equipment. The enterprises that are authorized to manufacture military equipment – currently about 120 , some 48 of which are active exporters – are required to submit various kinds of information about their operations to the ISP.

22.2 Explanations to the tables

Categories of military equipment

To make it easier to compare the statistics for Sweden's exports of military equipment with those reported by other EU member states, the categories of equipment will, starting this year, be those used specified in the EU Common Military List. A comparison between the Swedish categories set out in the Military Equipment Classification and this list will be found in Table 11. The most important product types are also listed for each category. (More detailed information on the content of each category will be found in Annex 1 to the Military Equipment Ordinance (1992: 1303)). Unlike the Swedish classification, no distinction is made in the Military List between the categories of military equipment for combat purposes (MEC) and other military equipment (OME). Nevertheless, the tables containing statistics for these two subcategories still appear in this year's Communication. The MEC category consists of destructive equipment, including sights, and firing control equipment. The OME category consists of parts and components for equipment for combat purposes and equipment that is not directly destructive in a combat situation.

When a table relates to export licences or exports associated with a specific category, this means that the export licences were granted for one or more of the products, or related subcomponents, in an equipment category. But it does not mean that export licences were granted for all the products in each category.

The data do not permit far-reaching conclusions about export trends, since the volume of exports is not sufficiently large to ensure uniform equipment flows in all the categories produced in Sweden; rather, the figures indicate a random emphasis that shifts over time depending on the export contracts won by the industry.

During the period in question, i.e. 2002-2004, small-calibre barrel weapons (EU ML 1), the most important item in the category 'small arms and light weapons', played a negligible role in Swedish exports. This is worth bearing in mind in the light of Sweden's active role within the UN framework in the fight against the illicit trade in small arms and light weapons. The small-calibre barrel weapons specified as other military equipment are hunting and sporting weapons, exports of which are controlled in order to avoid large shipments of such weapons that might be used for military purposes.

Export licences

Export licences are granted, on the one hand, for many small transactions involving items such as spare parts or ammunition, and on the other hand for a small number of very large transactions involving major systems that are delivered over a period of several years. A few large transactions, which do not necessarily occur every year, can thus have a very significant effect on the results in a given year. There are therefore considerable differences in the statistics on export licences from one year to another. However, these variations in the value of export licences make little impact on actual exports of Swedish military equipment, which do not vary greatly from one year to the next. The reason for this is that the exports associated with a major export licence are usually spread over several years.

In cases where only one or two licences were granted, an approximate value is given in order to protect commercial interests or defence secrets.

Follow-on deliveries

It is sometimes of interest to find out to what extent the licences granted for exports to a specific country relate to follow-on deliveries. The table under 1.3.5 shows these data for a number of countries. The type of equipment concerned is also indicated in the case of countries for which licences were issued in 2004.

Actual deliveries

The ISP's export statistics are based on the statements on the invoiced value of equipment supplied that the export companies are required to submit.

Changes in the statistics from one year to another cannot be used as a basis for long-term assessments of export trends. Individual sales of large systems give rise to substantial fluctuations in the statistics.

Swedish exports of military equipment are also recorded in the general foreign trade statistics which are based on information supplied by the customs authorities to Statistics Sweden (SCB). However, SCB statistics include civilian products to which the Military Equipment Act is not applicable. These figures cannot be compared with ISP statistics and are not included in this report. The breakdown of the trade statistics was explained in Communication 1996/97:138.

Transfers of manufacturing rights, cooperation etc.

6 licences were granted in 2004 for the transfer of manufacturing rights to other countries. The countries concerned were Japan (2), Denmark, Germany, the UK and the USA.

13 cooperation agreements were examined and authorized for joint development or production with companies in 12 countries in 2004.

In assessments of cases involving the transfer of manufacturing rights or cooperation with foreign partners, the stricter criteria applied to exports of military equipment for combat purposes are applied irrespective of the type of export, because this kind of cooperation normally results in a lengthier commitment than in the case of regular exports. The scope of such agreements, their duration, reexport clauses etc. are examined in detail in such cases.

Under the Military Equipment Act (1992:1300), entities which have transferred manufacturing rights for military equipment to a party in a foreign country or have entered into a cooperation agreement with a foreign partner are required to report on an annual basis whether the agreement is still in force, whether production or other cooperation under such an agreement still takes place and how such cooperation is carried on. In 2004, 16 companies reported a total of 200 valid licensing and cooperation agreements in 29 countries. These figures are almost identical to those for the year 2003.

Military-oriented training

Under the Military Equipment Act foreign subjects must not be given military-oriented training within or outside Sweden without the permission of the National Inspectorate of Strategic Products. One such permit – for the UK – was extended in 2004.

The prohibition does not apply to training that is related to sales of military equipment for which export licences have been granted.

22.3 Statistical tables

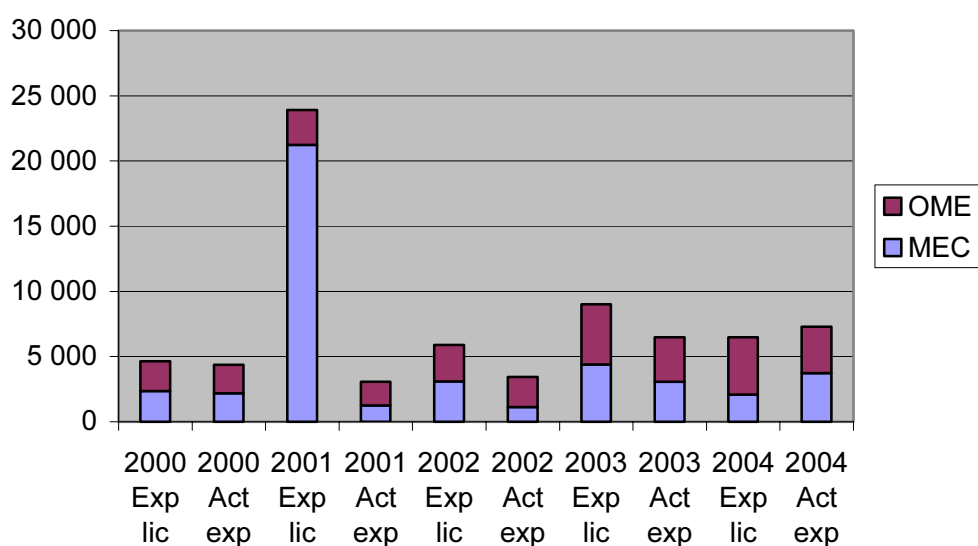
22.3.1 Export licences granted, broken down into military equipment for combat purposes (MEC) and other military equipment (OME), 2000-2004

Year	Value in MSEK at current prices			Change in %		
	Total	MEC	OME	Total	MEC	OME
2000	4 640	2 369	2 271	-35,1	+118,9	-62,6
2001	23 900	21 228	2 672	+415	+796	+18
2002	5 882	3 094	2 788	-75,4	-85,4	+4,3
2003	9 021	4 383	4 638	+53,4	+41,8	+66,4
2004	6 491	2 077	4 413	-28	-53	-5

22.3.2 Actual exports, broken down into military equipment for combat purposes (MEC) and other military equipment (OME), 2000-2004

Year	Sweden's total exports of goods (curr. prices) MSEK	Exports of military equipment						
		Share of total exports %	Current prices MSEK			Change in %		
			Total	MEC	OME	Total	MEC	OME
2000	796 673	0,55	4 371	2 189	2 182	+19,6	+12,0	+28,4
2001	780 594	0,4	3 060	1 247	1 813	-30	-43	-17
2002	789 900	0,44	3 440	1 120	2 320	+12,4	-10,2	+28
2003	816 300	0,79	6 479	3 069	3 410	+88,3	+174	+46,9
2004	896 600	0,8	7 291	3 740	3 551	+12	+22	+4

22.3.3 Export licences and actual exports during year 2000-2004 broken down into OME and MEC



22.3.4 Export licences and actual exports in 2004 by recipient region and country, including mentioning of product categories

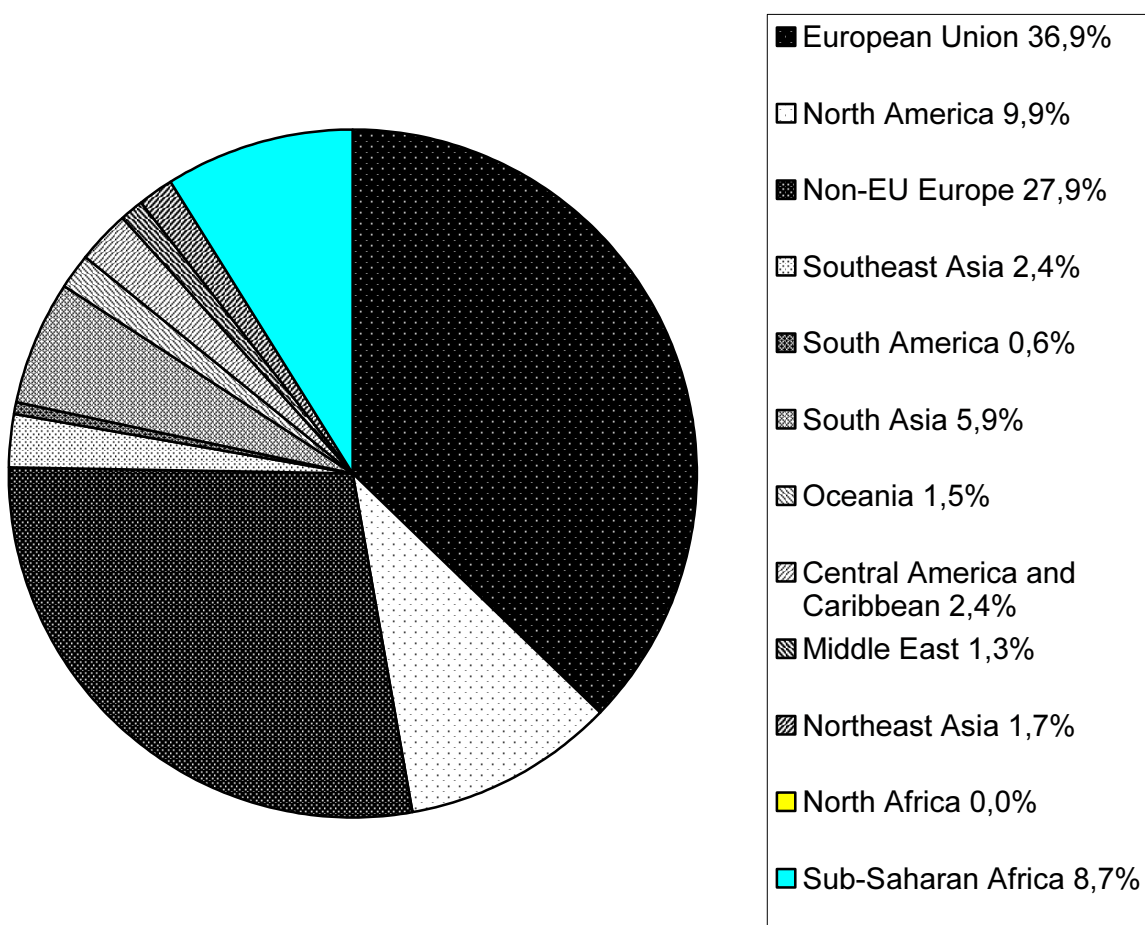
Region / country	Licences granted			Actual exports	
	No. of licences granted	Main category for which export licences were granted (EU military list)	Value of licensed items (MSEK)	Main category of actual exports (EU military list)	Export value (MSEK)
EU	267		3428,9		2688,5
Austria	14	3,4,7,8,10,14	98,4	2,3,4,5,8,10,14	47,6
Belgium	9	5,8,1,2,3	4	3,8,1,2,5	6,6
Czech Republic	3	3,10	0,8	3,8,10	2,2
Denmark	14	2,3,5,8,21	130	1,2,3,4,5,21	53,1
Estonia	6	1,3	4,4	3	13,3
Finland	53	2,3,4,5,8,10,14,18,21	655	1,2,3,4,5,6,8,10,14,21,18	972,7
France	23	1,2,3,5,8,10,11,14	871	1,2,3,5,8,10,11	370,3
Germany	41	2,3,4,5,7,8,11,6,18	224,2	2,3,4,5,6,7,8,9,11,14,18	251,1
Hungary	9	3,5,8	9,5	3,5,8	5,3
Greece	2	2,5	6,3	1,2,3,5,6	169,6
Ireland	7	1,2,3,5,6	42,2	1,2,3,5,14,6	49,9
Italy	13	3,5,8,10,11,6	760	1,3,8,10,11,18	6,5
Latvia	2	3	0,5	3	5,8
Lithuania	4	3	5	3	26,4
Netherlands	15	1,2,5,8,13,6	263,8	1,2,3,5,8,10,14,6	64,4
New Caledonia (F)	-	-	-	3	0,2
Poland	2	8	0,3	3,5,8	93,2
Portugal	-	-	-	3	0,2
Slovakia	-	-	-	3	0,3
Slovenia	5	3,13	6,9	3,5,13	2
Spain	13	3,4,5,8,13,21	62,6	3,5,8,13,6	26,5
United Kingdom	32	2,3,4,5,8,10,11,14,21	284	1,2,3,5,6,8,10,11,13,14	521,5
Non-EU Europé	69		684,3		2 031,7
Bulgaria	2	3	1,5	3	0,9
Iceland	-	-	-	3	0,1

Region / country	Licences granted			Actual exports	
	No. of licences granted	Main category for which export licences were granted (EU military list)	Value of licensed items (MSEK)	Main category of actual exports (EU military list)	Export value (MSEK)
Norway	40	1,2,3,5,8,10,21	441,5	2,3,4,5,6,8,9,10,14,18,22	232
Romania	3	1,3,5	0,3	1	0,0
Russia	7	1,3	44,1	1,3	3,4
Switzerland	15	3,5,8,14	195,9	2,3,5,6,8,14,21	1 794,3
Turkey	2	3	1	3	1
Ukraine	-	-	-	3	0
North America	68		1403,3		789,7
Canada	10	2,3,5,8,14	38,3	2,3,5,8,13,14,18	19,7
USA	58	1,2,3,5,8,10,11,14,18,21,22	1 365	1,2,3,5,8,10,11,14,18,22,21	770,1
Central America and the Caribbean	5		27,8		174,6
Mexico	5	2,3,9,22	27,8	2,5,9,14	174,6
South America	15		42,4		41,7
Brazil	6	3,8,14	4,7	2,3,4,5,8	12,7
Chile	9	2,3,5,8,14	37,7	2,3,5,14	29
Northeast Asia	26		189,8		122,7
Hongkong, China*	2	1	0,2	1,10	0,4
Japan	21	2,3,4,5,14	189	2,3,4,5	120,8
Republic of Korea	3	5,21	0,6	5	1,5
Central Asien	1		0,5		0,1
Kazakhstan	1	3	0,5	3	0,1
Southeast Asia	29		97,9		176,8
Brunei	1	1	0,0	-	-
Indonesia	3	2,4	8,8	2,4	5,4
Malaysia	6	1,2,5	56,9	2,5,9	54
Singapore	12	1,3,5,8,13	8	1,2,4,5,8,9,13	103,5
Thailand	7	2,4,13,18	24,2	2,4,18	13,9
South Asia	7		22,1		427
India	4	2,11,14,15,18	9,8	2,3,4,11,18,6	401,7
Pakistan	3	4,5	12,3	4,5	25,3

Region / country	Licences granted			Actual exports	
	No. of licences granted	Main category for which export licences were granted (EU military list)	Value of licensed items (MSEK)	Main category of actual exports (EU military list)	Export value (MSEK)
Middle East	6		51,9		91,5
Kuwait	1	1	22,4	5	0,0
Oman	-	-	-	5	0,2
Saudi Arabia	-	-	-	11,14,18	1
United Arab Emirates	5	2,5,10	29,5	3,5,9,10,21	90,3
North Africa	2		1,5		3,4
Tunisia	2	5	1,5	4,5	3,4
Sub-Saharan Africa	5		7,9		635,9
Botswana	-	-	-	2	2,6
Mauritius	-	-	-	3	0,0
Namibia	-	-	-	3	0,2
South Africa	5	3,8,18	7,9	3,5,8,10	633
Oceania	43		531,6		107,7
Australia	39	2,3,4,5,8,11,14,18,21,22	527	1,2,3,4,5,8,11,14,21	102,6
New Zealand	4	1,3,5,14	4,6	1,2,3,14	5,1
TOTAL	543		6 490,8		7 291,4

* The export pertains to return after repair of fiber optic gyro for navigation system in passenger ferry.

22.3.5 Pie chart of exports of military equipment by region as a percentage of their value in 2004 (reads clockwise)



22.3.6 Exports of military equipment by region and country 2002-2004 (MSEK)

Region / country	2002			2003			2004		
	MEC	OME	Total	MEC	OME	Total	MEC	OME	Total
EU	206	884	1 086	562	1 572	2 134	1 073	1 616	2 689
Austria	1,5	49,1	50,5	0,4	158,1	158,5	0,9	46,7	47,6
Belgium	8,3	6	14,3	0,1	9,6	9,7	0,9	5,8	6,6
Czech Republic	2,5	0,4	3	1,2	0,8	1,9	0,4	1,8	2,2
Denmark	5,5	82,1	87,5	5,1	70,7	75,8	1	52,1	53,1
Estonia	0,0	3,8	3,8	4	1,3	5,4	13	0,4	13,3
Finland	60	20,4	80,4	205,2	47,5	252,7	827	145,7	972,7
France	99,6	379,7	479,3	66,9	550,1	617,1	9,1	361,2	370,3
Germany	13	204,6	217,6	9,2	432,2	441,4	11,4	239,6	251,1
Greece	1	1,7	2,7	0	22,7	22,7	-	169,6	169,6
Hungary	-	-	-	0	3,9	3,9	0,1	5,2	5,3
Ireland	3,8	5,8	9,5	34,3	3,3	37,6	33,9	16	49,9
Italy	4,3	7,9	12,2	3	59,6	62,8	0,7	5,8	6,5
Latvia	-	-	-	2,6	2,8	5,5	1,4	4,4	5,8
Lithuania	0,0	0,2	0,2	3,6	3,9	7,5	24,1	2,3	26,4
Netherlands	2,5	48,1	50,6	0	10,8	10,8	0,1	64,3	64,4
New Caledonia	-	-	-	-	-	-	-	0,2	0,2
Poland	0,1	0,2	0,3	1	28,7	29,7	57,6	35,6	93,2
Portugal	-	0,35	0,35	0	0,4	0,4	0,1	0,1	0,2
Slovakia	-	-	-	-	-	-	-	0,3	0,3
Slovenia	-	-	-	0	3,3	3,3	0	2	2
Spain	0,4	11,8	12,2	0,3	17,6	17,9	1,8	24,8	26,5
United Kingdom	1,5	66,8	68,3	237,4	189,4	426,9	89,7	431,8	521,5
Non-EU Europé	304	240	544	1 347	293	1639	1 724	307	2 032
Bulgaria	-	-	-	-	-	-	-	0,9	0,9
Croatia	-	2,3	2,3	0	8,2	8,2	-	-	-
Iceland	-	-	-	-	-	-	0	0,1	0,1
Norway	28,8	139	167,8	24,6	131,6	156,2	31,6	200,3	231,9
Romania	-	-	-	-	-	-	-	0	0
Russia	-	1,25	1,25	0	2,7	2,7	0,1	3,4	3,4
Switzerland	272,4	88,7	361,1	1 310	102,2	1 412	1 693	101,7	1 794
Turkey	-	2,6	2,6	0	2,6	2,6	-	0,9	0,9
Ukraine	-	-	-	-	-	-	-	0,1	0,1

Region / country	2002			2003			2004		
	MEC	OME	Total	MEC	OME	Total	MEC	OME	Total
North America	186	289	475	394	246	640	371	419	790
Canada	2,2	12,4	14,7	3,4	11,8	15,2	1,1	18,6	19,7
USA	184,2	276,6	460,8	390,2	234,7	624,9	369,6	400,5	770,1
Central America and Caribbean	128	128	256	53	188	241	-	175	175
Mexico	128,3	128	256,3	53,2	187,6	240,8	-	174,6	174,6
South America	39	31	70	66	9	75	25	17	42
Brazil	12	27,3	39,2	2,9	2,4	5,2	5,9	6,9	12,8
Chile	27	3,4	30,4	3,2	0,3	3,5	19,3	9,8	29
Venezuela	-	-	-	59,7	6,3	66	-	-	-
Northeast Asia	0,2	1,6	1,8	2	2	4	111	11	123
Hongkong, China	-	-	-	-	-	-	-	0,4	0,4
Japan	0,2	1,6	1,8	1,6	1,3	2,9	111,5	9,4	120,9
Republic of Korea	-	-	-	0	1	1	-	1,5	1,5
Central Asia	-	-	-	-	-	-	0,1	0,1	0,1
Kazakhstan	-	-	-	-	-	-	-	0,1	0,1
Southeast Asia	198	285	483	288	363	651	62	114	177
Indonesia	-	0,9	0,9	0	3,9	3,9	-	5,4	5,4
Malaysia	-	27,3	27,3	2	56,4	58,5	48,2	5,9	54
Singapore	178	241,8	419,8	263,1	79,1	342,2	2,3	101,2	103,5
Thailand	20,2	3,1	23,3	22,8	223,9	246,8	12	1,9	13,9
Vietnam	-	12,1	12,1	-	-	-	-	-	-
South Asia	-	8	8	251	76	326	335	92	427
India	-	6,6	6,6	250,8	55,6	306,3	334,8	67	401,7
Pakistan	-	1,3	1,3	0	20	20	-	25,3	25,3
Middle East	-	27	27	0	72	72	3	89	91
Bahrain	-	0,2	0,2	0	4	4	-	-	-
Kuwait	-	-	-	-	-	-	-	0	0
Oman	-	0,3	0,3	0	0,3	0,3	-	0,2	0,2
Saudi Arabia	-	1,2	1,2	0	0,7	0,7	-	1	1
United Arab Emirates	-	25,1	25,1	0	67,3	67,3	2,8	87,4	90,3
North Africa	-	2	2	0	2,4	2,4	0	3	3
Tunisia	-	2	2	0	2,4	2,4	0	3,4	3,4
Sub-Saharan Africa	0,6	358	358	1	475	476	3	633	636
Botswana	-	-	-	-	-	-	2,6	-	2,6

Region / country	2002			2003			2004		
	MEC	OME	Total	MEC	OME	Total	MEC	OME	Total
Mauritius	-	-	-	-	-	-	-	0	0
Namibia	-	-	-	-	-	-	-	0,2	0,2
South Africa	0,65	357,7	358,3	1,1	474,4	475,5	0,7	632,3	632,9
Oceania	62	65	127	106	101	207	33	75	108
Australien	62,1	61,1	123,2	105,7	98,1	203,9	29,7	73	102,6
New Zealand	-	3,8	3,8	0	3,4	3,4	2,9	2,2	5,1
Other countries	0,2¹	3,4²	3,6	0,2³	1,6⁴	1,8	-	-	-
TOTAL	1 120	2 318	3 438	3 069	3 410	6 479	3 740	3 551	7 291

¹ Iceland and Hungary

² Bulgaria, UN, Iceland, New Caledonia, Republic of Korea, Romania, Slovakia, Slovenia and Hungary

³ Iceland, Luxembourg and Ukraine

⁴ Bulgaria, Ghana, Iceland, Kuwait, Mauritius, New Caledonia, Romania, Slovakia and Ukraine

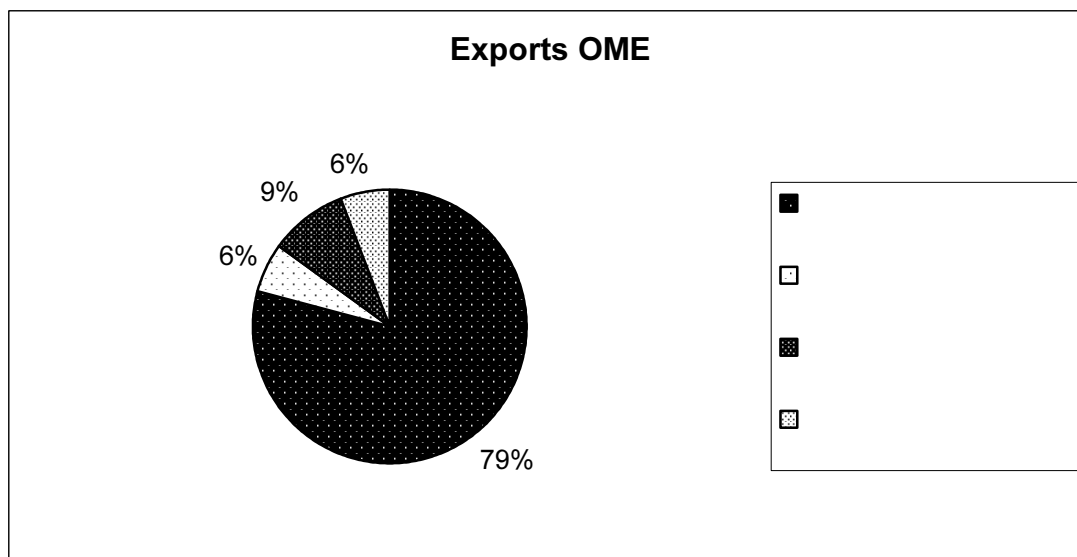
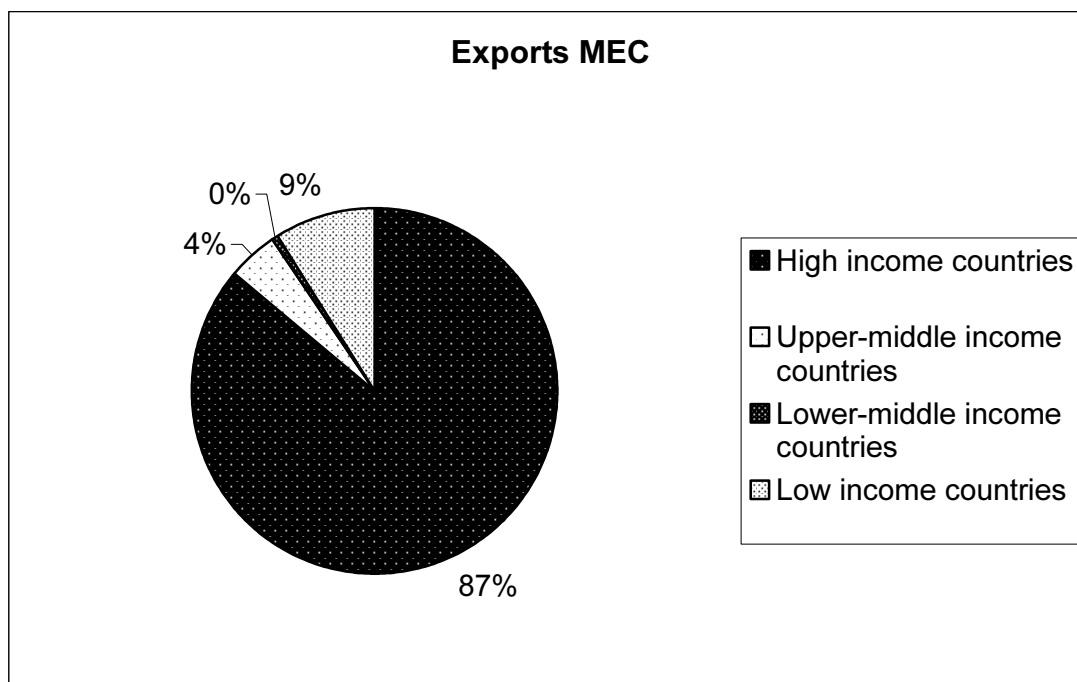
22.3.7 Follow-on deliveries in 2004

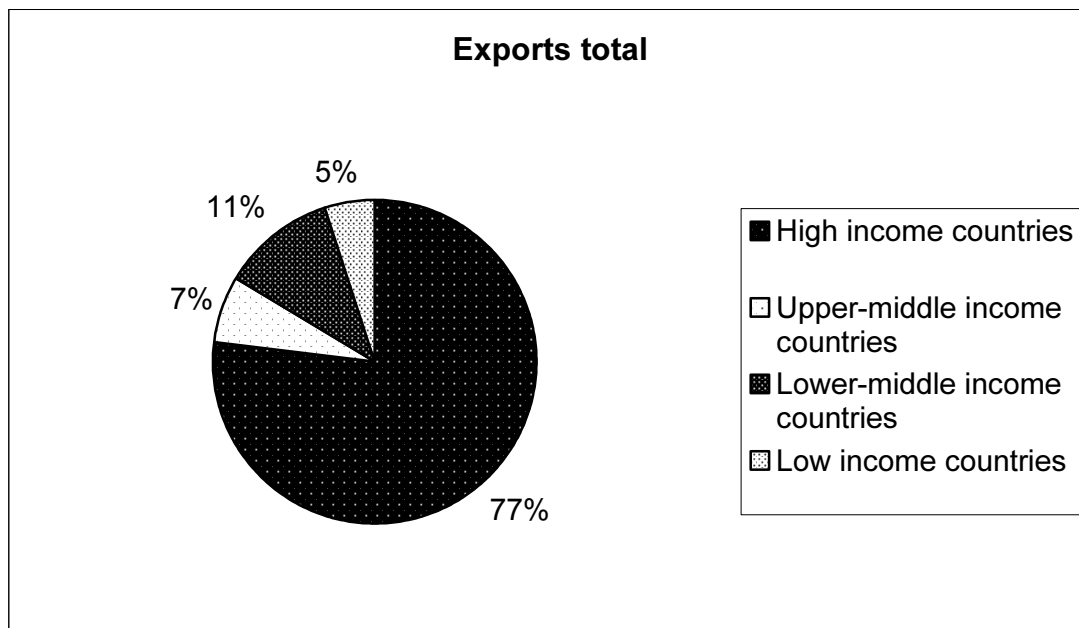
Country	No. of licences granted	Follow-on licences	New licences
USA	58	48	5 (small calibre ammunition) 1 (57 mm akan) 1 (Component for reconnaissance equip.) 3 (Camouflage equipment)
United Arab Emirates	5	4	1 (UAV-system)
India	4	3	1 (radio system)
Indonesia	3	3	0
Kuwait	1	1	0
Mexico	5	5	0
Pakistan	3	3	0
Tunisia	2	0	2 (laser pointers, sight attachments for automatic equip.)

22.3.8 Value of actual exports 2003-2004 by product category

MEC		2003	2004	OME		2003	2004
Swedish military list	EU:s Mil. list			Swedish military list	EU:s Mil. list		
MEC1	1	11	6,4	OME21	1	8	17,8
MEC2	2	364	547	OME 22	2	179	92,1
MEC3	3	500	493	OME 23	3	298	329,2
MEC4	4	52	174,7	OME 24	4	78	106,3
MEC5	5	577	530	OME 25	5	702	772,8
MEC6	7	1,5	1,3	OME 26	13	8	1,6
MEC7	8	122	122,9	OME 27	8	0,3	2,2
MEC8	9	104	7,9	OME 28	9	196	248,3
MEC9	10	-	-	OME 29	10	915	990
MEC 10	6	1 336	1 857,4	OME 30	6, 17	321	516,8
MEC 11	19	-	-	OME 31	19	-	-
				OME 32	13	-	-
				OME 33	15	97	143,6
				OME 34	15	-	-
				OME 35	14	582	265,9
				OME 36	18, 22	14	8,5
				OME 37	21	12	56,1
Total MEC		3 068	3 740,3	Total OME		3 410	3 551

22.3.9 Exports of military equipment in MSEK, broken down by country according to income* (reads clockwise)





* Country groupings are based on the World Bank's country classification by economic status. More information is available at www.worldbank.org. The group "Low income countries" here consists of India and Pakistan.

22.3.10 The Swedish Armed Forces' exports of military equipment

Country	Unit equipment for
Estonia	1 Brigade medical company 40 Grenade launchers 12 cm Training equipment Spare parts
Latvia	Ammunition Spare parts
Lithuania	NBC-equipment Ammunition Spare parts

1.3.11 Exporting companies (MSEK)

Company	MEC	OME	Total
Land Systems Hägglunds AB	1 863,8	482	2 345,8
Saab Bofors Dynamics AB	654,1	253,9	908
Saab AB, Saab Aerosystems	-	863,7	863,7
Saab AB	365,6	303,4	669
Ericsson Microwave Systems	40,3	582,8	623

Company	MEC	OME	Total
AB			
FFV Ordnance AB	334,7	56,3	391
Bofors Defence AB	240,1	90,3	330,5
Saab Training Systems AB	-	241	241
Kockums AB	-	172	172
EURENCO Bofors AB	119,6	2,2	121,8
Norma Precision AB	7,4	102,8	110,2
Volvo Aero AB	-	108,4	108,4
Vanäsverken AB	102,4	-	102,4
Swede Ship Marine AB	-	55,7	55,7
Saab Barracuda AB	-	29,6	29,6
N. Sundin Dockstavarvet AB	7,9	20,3	28,2
Saab Bofors Underwater Systems AB	-	27,9	27,9
Scania CV AB	-	24,2	24,2
Cross Country Systems AB (CC Systems)	-	23,6	23,6
Nammo LIAB AB	0	21	21
FLIR Systems AB, Imaging Sweden	-	19,5	19,5
Aimpoint AB	0	15,9	15,9
Polyamp AB	-	14,6	14,6
Cyb-Aero AB	-	10,4	10,4

The export sales of the following companies totalled MSEK 1-10:

Degerfors Formnings, Deform AB, Åkers Krutbruk Protection AB, Airsafe Sweden AB, Nammo Vingåkersverken AB, CNC-Process i Hova AB, Schill Reglerteknik AB, Befyraem Technologies AB (B4M), Waltreco AB, Aerotech Telub AB.

The export sales of the following companies were less than SEK 1 million in 2004:

PartnerTech Karlskoga AB, New Pac Safety AB, Ekenäs Mekaniska AB, Chelton Applied Composites AB, Försvarets Materielverk, Transport, Comtri AB.

22.3.11 Categories of military equipment – the Swedish Military Equipment Classification and the EU Common Military List, descriptions of product types

Designation according to EU:s military list	Design. accord. to the Swedish list (MEC)	Design. accord. to the Swedish list (OME)
1	1	21
2	2	22
3	3	23
4	4	24
5	5	25
6	10	30a-c,e
7	6	
8	7	27
9	8	28
10	9	29
11		33
12		
13		26,32
14		35
15		33,34
16		
17		30d
18		36a-b
19	11	31
20		
21		37
22		36c

Design. accord. to the Swedish list	Type of product
MEC1	Small-calibre barrel weapons
MEC 2	Cannons, anti-tank guns
MEC 3	Ammunition
MEC 4	Missiles, rockets, torpedoes, bombs
MEC 5	Firing control equipment
MEC 6	NBC weapons
MEC 7	Gunpowder and explosives
MEC 8	Warships
MEC 9	Combat aircraft
MEC 10	Combat vehicles
MEC 11	Directed energy weapon system
OME21	Small-calibre barrel weapons, parts etc.
OME 22	Cannons, anti-tank guns, parts etc.
OME 23	Ammunition for training purposes etc.
OME 24	Training rockets, sweeping equipment etc.
OME 25	Reconnaissance and measurement equipment
OME 26	Protective equipment etc.
OME 27	Gunpowder and explosives components
OME 28	Surveillance vessels etc.
OME 29	Aircraft designed for military use etc.
OME 30	Vehicles designed for military use etc.
OME 31	Directed energy weapon systems
OME 32	Fortifications
OME 33	Electronic equipment for military use
OME 34	Photographic and electro-optical equipment
OME 35	Training equipment
OME 36	Manufacturing equipment
OME 37	Software

23 Annex 2: Export controls of dual-use goods in 2004

23.1 Introduction

It is not possible to present complete statistics on dual-use goods like those for military equipment since the control of dual-use goods is based on the principle of freest possible trade, which means that controls are only applied in certain cases. It is, however, possible to report the number of applications for licences in various control areas. Table 1 shows the number of export licence applications relating to dual-use goods submitted to the ISP and their distribution among the multilateral control regimes. (See section 17 for further information on the export control regimes).

Global licences can be granted for frequent exports of products to civilian buyers for non-military end use. The licences specify the country or countries for which they are valid. A general Community authorization was introduced by EG Regulation 1334/2000. It is applicable to exports to ten non-EU countries of most items that are exempt from EU controls. The Community authorization is one more expression of the consensus between the member states as regards exports to these countries. General licences can also be issued at the national level and are 'open', like the Community export authorizations, i.e. no application is required. The ISP has issued a Regulation concerning these licences: ISP Regulation on General Export Licences, published in the Swedish Customs statute-book (TFS 2000:24). In 2004 national general licences were issuable for the purposes of repairs and demonstration with the exception of especially sensitive items. The latter are listed in the annex to the Regulation. The licence was issuable for exports to 50 named destinations. For all other purposes individual licences are issued for exports of dual-use goods.

23.2 Statistical tables

23.2.1 Number of export licence applications relating to dual-use goods, 2001-2004

Applications for export licences	2001	2002	2003	2004
Total	245	279	321	366
Wassenaar Arrangement	177	146	151	177
Missile Technology Control Regime	7	33	11	10
Nuclear Suppliers Group (Part 2)	14	9	10	5
Australia Group	47	91	149	174

23.2.2 Number of advance notifications, denials and catch-all procedures during the period 2002-2004

The table below shows the number of preliminary inquiries submitted to the ISP during the period 2000-2002 regarding exports of dual-use goods and the number of denials and catch-all procedures during the same period (see sections 12 and 20).

Year	2002	2003	2004
Number of advance notifications given	43	43	35
Number of denials issued	2	2	2
Number of catch-all procedures	1	2	0

24 Annex 3: Regulatory framework

24.1 The Military Equipment Act

The manufacture and exportation of military equipment are governed by the Military Equipment Act (1992:1300, last amended by 2000:1248) and the corresponding Ordinance (1992:1303, last amended by 2000:64). Both these statutory instruments entered into force on January 1 1993, replacing the Control of the Manufacture of Military Equipment etc. Act (1983:1034), the Prohibition of Exports of Military Equipment etc. Act (1988:558) and the corresponding ordinances.

The present Act is essentially based on the previous legislation and previous practice. However, it applies a broader definition of military equipment and simplifies, clarifies and updates the provisions relating to the control of manufacturing and cooperation on military equipment with foreign partners.

The Military Equipment Act stipulates that military equipment must not be manufactured without a licence. A licence is also required for all types of defence industry cooperation with foreign partners. The term 'cooperation with foreign partners' covers both export sales and other arrangements for supplying military equipment (for instance transfer of ownership or brokering). It also includes the grant or transfer of manufacturing rights, agreements with a party in another country on the development of military equipment or production methods for such equipment together with or on behalf of that party, and agreements on joint manufacture of military equipment. Lastly, with certain exceptions, a licence is required for the provision of military-oriented training.

The Act divides military equipment into two categories: Military Equipment for Combat Purposes (MEC) and Other Military Equipment (OME). The Military Equipment Ordinance contains provisions specifying the types of equipment that are assigned to the two categories. The MEC category consists of destructive equipment, including sights, and firing control equipment. The OME category consists of parts and components for military equipment for combat purposes and equipment that is not directly destructive in a combat situation.

Under the EC Regulation on the control of exports of dual-use goods that entered into force in September 2000, export licences are required in some cases for items that do not fall within the definition of military equipment but are associated with military equipment that is exported. See below for further information on the new rules in this respect.

Until 31 January 1996 decisions on export licences were taken by the Government. Licences that did not involve large-scale exports or matters of principle were delegated to the minister responsible for applications for export licences with respect to military equipment. 98% of the total value of licences granted in 1995 were based on non-delegated government decisions. As of February 1 1996, decisions relating to exports of military equipment are normally taken by the ISP except in cases that are deemed to be of interest from the point of view of principle or of particular importance for other reasons, which are referred to the Government for decisions.

24.2 Swedish guidelines on exports of military equipment and other cooperation with foreign partners

Under section 1 (2) of the Military Equipment Act (1992:1300) licences may only be granted if the export transaction in question is justified for security or defence reasons and does not conflict with Sweden's foreign policy. The principles applied when examining applications have been established by government practice and are described in the Government's Guidelines on exports of military equipment and other cooperation arrangements with foreign partners, which have been approved by Parliament (cf. Gov. Bill 1991/92:174, p. 41 ff., Gov. Bill 1995/96:31, p. 23 ff. and Report 1992/93:UU1). The full text of the guidelines follows after this report.

General and assessment criteria

The Guidelines are interpreted on the basis of broad parliamentary support and are applied by the ISP in connection with the processing of applications for export licences under the Military Equipment Act and the Military Equipment Ordinance.

The guidelines contain two general criteria for the granting of licences under the Act, namely that cooperation with foreign partners is considered necessary to meet the Swedish armed forces' need of military equipment or know-how or is otherwise desirable for reasons of national security, and that collaboration does not conflict with the principles and objectives of Swedish foreign policy. These general criteria may be regarded as a clarification of section 1 (2) of the Military Equipment Act.

The guidelines also specify the factors that should be taken into account in connection with the consideration of individual applications. One basic condition is that all the relevant circumstances in a particular case must be considered, whether or not they are explicitly mentioned in the guidelines. These criteria also apply to collaboration with persons or enterprises in other countries on the development or manufacture of military equipment. Sweden is one of the few EU Member States that has enacted legislation that contains provisions relating to arms brokering.

The guidelines emphasize in particular the importance that should be attached, in connection with the assessment of the foreign policy aspects of each application, to the human rights situation in the recipient country. The human rights criterion must always be taken into account, even in cases involving exports of equipment which in itself cannot be used to violate human rights.

Absolute obstacles to exports

The guidelines specify three types of absolute obstacles which, if they exist, are deemed to rule out the possibility of exports. These are: decisions by the UN Security Council, international agreements to which Sweden has acceded (e.g. EU sanctions), and bans imposed under international law on exports from neutral states during war.

Military equipment for combat purposes and other military equipment

The definition of military equipment was extended in 1993 to include some equipment for civilian or partly civilian uses. As a result of this extension of the definition, previously unregulated exports are now subjected to political scrutiny and appear in the statistics on exports of military equipment. The extension of the definition was accompanied by a division of military equipment into two categories, which are treated slightly differently in the guidelines concerning exports.

In the case of military equipment for combat purposes (MEC) the Government should not grant licences for exports to a state that is involved in an armed conflict with another state or in an international conflict that may lead to an armed conflict, or to a state in which internal armed disturbances occur. However, revocation of a licence may be waived if this is consistent with international law and with the principles and objectives of Swedish foreign policy. Licences should not be granted for exports to a state in which widespread and serious violations of human rights occur.

These conditions are the same as those applied before 1993, except that previously it was only necessary to take violations of human rights into account if the equipment itself could be used to violate human rights. Sweden differs from some other EU Member States in this respect.

In the case of exports of Other Military Equipment (OME), which consists largely of items that were not subject to control prior to 1993 (such as reconnaissance radars and simulators for training purposes), licences should be granted for exports to countries that are not involved in armed conflicts with other states and in which internal armed disturbances and widespread and serious violations of human rights do not occur. The risk of armed conflict is not applied as a criterion in assessments of exports of other military equipment.

Owing to the differences in the guidelines for MEC and OME, a larger number of countries may be considered as potential recipients of OME, i.e. equipment that is non-destructive, than of MEC.

Follow-on deliveries and 'Swedish identity'

As regards follow-on deliveries, the guidelines state that "licences should be granted for exports of spare parts for equipment exported previously under a licence, unless an absolute obstacle exists. The same applies to other deliveries, for example of ammunition, linked to previous exports of equipment, or otherwise in cases where it would be unreasonable to deny permission".

With respect to cooperation with foreign partners, exports to third countries should be assessed in accordance with the Swedish guidelines if the identity of the item is predominantly Swedish. If its identity is predominantly foreign, or if Sweden has a strong defence policy interest in cooperation, the export rules of the cooperating country may be applied to exports from that country.

Full text of the Swedish guidelines

Licences for exports of military equipment or for other cooperation arrangements with foreign partners involving military equipment should only be granted where such exports or cooperation:

1. are considered necessary to meet the Swedish armed forces' need of military equipment or know-how or are otherwise desirable for reasons of national security; and

2. do not conflict with the principles and objectives of Swedish foreign policy.

When considering an application for a licence, the Government shall make an overall assessment of all the relevant circumstances, taking into account the basic principles mentioned above.

There is no obstacle from the point of view of foreign policy to cooperation with, or exports to, the Nordic countries and the traditionally neutral countries of Europe. In principle, cooperation with these countries may be considered consistent with Sweden's security policy. As cooperation with the other Member States of the European Union develops, the same principles regarding cooperation with foreign partners and exports should be applied to these countries too.

Licences may only be granted to governments, central government agencies or government-authorized recipients, and an End User Certificate or an Own Production Declaration should be presented in connection with exports of military equipment. A state which, despite undertakings given to the Swedish Government, allows, or fails to prevent, unauthorized re-exportation of Swedish military equipment shall not in principle be eligible as a recipient of such equipment from Sweden as long as these circumstances persist.

Licences for exports or for other cooperation arrangements with foreign partners pursuant to the Military Equipment Act must not be granted if this would contravene an international agreement to which Sweden is a party, a Resolution adopted by the United Nations Security Council or provisions of international law concerning exports from neutral states during a war (absolute obstacles).

Licences for exports of military equipment or for other cooperation arrangements with foreign partners must not be granted where the recipient country is a state in which widespread and serious violations of human rights occur. Respect for human rights is an essential condition for the issuance of licences.

Licences for exports of Military Equipment for Combat Purposes or for other cooperation arrangements with foreign partners involving Military Equipment for Combat Purposes or Other Military Equipment should not be granted where the state in question is involved in an armed conflict with another state, regardless of whether or not war has been declared, is involved in an international conflict that may lead to an armed conflict or is the scene of internal armed disturbances.

Licences should be granted for exports of equipment designated as Other Military Equipment provided that the recipient country is not involved in an armed conflict with another state, that it is not the scene of internal armed disturbances, that widespread and serious violations of human rights do not occur there and that no absolute obstacles exist.

A licence that has been granted should be revoked not only if an absolute obstacle to exports arises, but also if the recipient country becomes involved in an armed conflict with another country or becomes the scene of internal armed disturbances. Exceptionally, revocation of a licence may be forgone in the last two cases if this is consistent with international law and with the principles and objectives of Swedish foreign policy.

Licences should be granted for exports of spare parts for equipment previously exported under a licence, unless an absolute obstacle exists. The same applies to other supplies, for example of ammunition, linked to previous exports of equipment, or otherwise in cases where it would be unreasonable to refuse a licence.

As regards agreements with a foreign party on joint development or production of military equipment, the basic criteria mentioned above are to be applied when licence applications are considered. Exports to the cooperating country under the agreement should be permitted unless an absolute obstacle arises. If an agreement with a foreign party is linked to exports from the cooperating country to third countries, the question of such exports should, provided that the identity of the equipment concerned is predominantly Swedish, be considered in accordance with the guidelines for exports from Sweden.

As regards equipment with a predominantly foreign identity, exports from the cooperating country to third countries should be considered in accordance with the export rules of the cooperating country. If Sweden has a strong interest in cooperation for reasons of defence policy, and certain exports from the cooperating country are a condition for cooperation, exports to third countries may, depending on the circumstances, be allowed under the export rules of the cooperating country in other cases too.

In cases where cooperation on military equipment with a foreign partner is extensive and important to Sweden, an intergovernmental agreement should be concluded between Sweden and the cooperating country. The Advisory Council on Foreign Affairs should be consulted before such agreements are concluded.

24.3 The European Union Code of Conduct on Arms Exports

**EUROPEAN UNION
THE COUNCIL**

**Brussels, 5 June 1998
(OR.en)**

8675/2/98

EUROPEAN UNION CODE OF CONDUCT ON ARMS EXPORTS

THE COUNCIL OF THE EUROPEAN UNION,

BUILDING on the Common Criteria agreed at the Luxembourg and Lisbon European Councils in 1991 and 1992,

RECOGNIZING the special responsibility of arms exporting states,

DETERMINED to set high common standards which should be regarded as the minimum for the management of, and restraint in, conventional arms transfers by all Member States, and to strengthen the exchange of relevant information with a view to achieving greater transparency,

DETERMINED to prevent the export of equipment which might be used for internal repression or international aggression or contribute to regional instability,

WISHING within the framework of the Common Foreign and Security Policy (CFSP) to reinforce cooperation and to promote convergence in the field of conventional arms exports,

NOTING complementary measures taken against illicit transfers, in the form of the EU Programme for Preventing and Combating Illicit Trafficking in Conventional Arms,

ACKNOWLEDGING the wish of Member States to maintain a defence industry as part of their industrial base as well as their defence effort,

RECOGNIZING that States have a right to transfer the means of self-defence, consistent with the right of self-defence recognized by the UN Charter,

HAS DRAWN UP the following Code of Conduct together with Operative Provisions:

CRITERION ONE

Respect for the international commitments of Member States, in particular the sanctions decreed by the UN Security Council and those decreed by the Community, agreements on non-proliferation and other subjects, as well as other international obligations

An export licence should be refused if approval would be inconsistent with, inter alia:

- (a) the international obligations of Member States and their commitments to enforce UN, OSCE and EU arms embargoes;
- (b) the international obligations of Member States under the Nuclear Non-Proliferation Treaty, the Biological and Toxin Weapons Convention and the Chemical Weapons Convention;
- (c) the commitments of Member States in the framework of the Australia Group, the Missile Technology Control Regime, the Nuclear Suppliers Group and the Wassenaar Arrangement;
- (d) the commitment of Member States not to export any form of anti-personnel landmine.

CRITERION TWO

The respect of human rights in the country of final destination

Having assessed the recipient country's attitude towards relevant principles established by international human rights instruments, Member States will:

- (a) not issue an export licence if there is a clear risk that the proposed export might be used for internal repression.
- (b) exercise special caution and vigilance in issuing licences, on a case-by-case basis and taking account of the nature of the equipment, to countries where serious violations of human rights have been established by the competent bodies of the UN, the Council of Europe or by the EU;

For these purposes, equipment which might be used for internal repression will include, inter alia, equipment where there is evidence of the use of this or similar equipment for internal repression by the proposed end-user, or where there is reason to believe that the equipment will be diverted from its stated end-use or end-user and used for internal repression. In line with paragraph 1 of the Operative Provisions of this Code, the nature of the equipment will be considered carefully, particularly if it is intended for internal security purposes. Internal repression includes, inter alia, torture and other cruel, inhuman and degrading treatment or punishment, summary or arbitrary executions, disappearances, arbitrary detentions and other major violations of human rights and fundamental freedoms as set out in relevant international human rights instruments, including the Universal Declaration on Human Rights and the International Covenant on Civil and Political Rights.

CRITERION THREE

The internal situation in the country of final destination, as a function of the existence of tensions or armed conflicts

Member States will not allow exports which would provoke or prolong armed conflicts or aggravate existing tensions or conflicts in the country of final destination.

CRITERION FOUR

Preservation of regional peace, security and stability

Member States will not issue an export licence if there is a clear risk that the intended recipient would use the proposed export aggressively against another country or to assert by force a territorial claim.

When considering these risks, Member States will take into account inter alia:

- (a) the existence or likelihood of armed conflict between the recipient and another country;

- (b) a claim against the territory of a neighbouring country which the recipient has in the past tried or threatened to pursue by means of force;
- (c) whether the equipment would be likely to be used other than for the legitimate national security and defence of the recipient;
- (d) the need not to affect adversely regional stability in any significant way.

CRITERION FIVE

The national security of the Member States and of territories whose external relations are the responsibility of a Member State, as well as that of friendly and allied countries

Member States will take into account:

- (a) the potential effect of the proposed export on their defence and security interests and those of friends, allies and other Member States, while recognizing that this factor cannot affect consideration of the criteria on respect for human rights and on regional peace, security and stability;
- (b) the risk of use of the goods concerned against their forces or those of friends, allies or other Member States;
- (c) the risk of reverse engineering or unintended technology transfer.

CRITERION SIX

The behaviour of the buyer country with regard to the international community, as regards in particular its attitude to terrorism, the nature of its alliances and respect for international law

Member States will take into account inter alia the record of the buyer country with regard to:

- (a) its support or encouragement of terrorism and international organized crime;
- (b) its compliance with its international commitments, in particular on the non-use of force, including under international humanitarian law applicable to international and non-international conflicts;
- (c) its commitment to non-proliferation and other areas of arms control and disarmament, in particular the signature, ratification and implementation of relevant arms control and disarmament conventions referred to in point (b) of Criterion One.

CRITERION SEVEN

The existence of a risk that the equipment will be diverted within the buyer country or re-exported under undesirable conditions

In assessing the impact of the proposed export on the importing country and the risk that exported goods might be diverted to an undesirable end-user, the following will be considered:

- (a) the legitimate defence and domestic security interests of the recipient country, including any involvement in UN or other peace-keeping activity;
- (b) the technical capability of the recipient country to use the equipment;
- (c) the capability of the recipient country to exert effective export controls;
- (d) the risk of the arms being re-exported or diverted to terrorist organizations (anti-terrorist equipment would need particularly careful consideration in this context).

CRITERION EIGHT

The compatibility of the arms exports with the technical and economic capacity of the recipient country, taking into account the desirability that states should achieve their legitimate needs of security and defence with the least diversion for armaments of human and economic resources

Member States will take into account, in the light of information from relevant sources such as UNDP, World Bank, IMF and OECD reports, whether the proposed export would seriously hamper the sustainable development of the recipient country. They will consider in this context the recipient country's relative levels of military and social expenditure, taking into account also any EU or bilateral aid.

OPERATIVE PROVISIONS

1. Each Member State will assess export licence applications for military equipment made to it on a case-by-case basis against the provisions of the Code of Conduct.
2. The Code of Conduct will not infringe on the right of Member States to operate more restrictive national policies.
3. Member States will circulate through diplomatic channels details of licences refused in accordance with the Code of Conduct for military equipment together with an explanation of why the licence has been refused. The

details to be notified are set out in the form of a draft pro-forma set out in the Annex hereto. Before any Member State grants a licence which has been denied by another Member State or States for an essentially identical transaction within the last three years, it will first consult the Member State or States which issued the denial(s). If following consultations, the Member State nevertheless decides to grant a licence, it will notify the Member State or States issuing the denial(s), giving a detailed explanation of its reasoning.

The decision to transfer or deny the transfer of any item of military equipment will remain at the national discretion of each Member State. A denial of a licence is understood to take place when the Member State has refused to authorize the actual sale or physical export of the item of military equipment concerned, where a sale would otherwise have come about, or the conclusion of the relevant contract. For these purposes, a notifiable denial may, in accordance with national procedures, include denial of permission to start negotiations or a negative response to a formal initial enquiry about a specific order.

4. Member States will keep such denials and consultations confidential and not use them for commercial advantage.
5. Member States will work for the early adoption of a common list of military equipment covered by the Code of Conduct, based on similar national and international lists. Until then, the Code of Conduct will operate on the basis of national control lists incorporating where appropriate elements from relevant international lists.
6. The criteria in the Code of Conduct and the consultation procedure provided for by paragraph 3 of these Operative Provisions will also apply to dual-use goods as specified in Annex 1 to Council Decision 94/942/CFSP ⁽³⁾, where there are grounds for believing that the end-user of such goods will be the armed forces or internal security forces or similar entities in the recipient country.
7. In order to maximize the efficiency of the Code of Conduct, Member States will work within the framework of the CFSP to reinforce their cooperation and to promote their convergence in the field of conventional arms exports.
8. Each Member State will circulate to other Member States in confidence an annual report on its defence exports and on its implementation of the Code of Conduct. These reports will be discussed at an annual meeting held within the framework of the CFSP. The meeting will also review the operation of the Code of Conduct, identify any improvements which need to be made and submit to the Council a consolidated report, based on contributions from Member States.

⁽³⁾ OJ L 367, 31.12.1994, p. 8. Decision as last amended by Decision 98/232/CFSP (OJ L 92, 25.3.1998, p. 1).

9. Member States will, as appropriate, assess jointly through the CFSP framework the situation of potential or actual recipients of arms exports from Member States, in the light of the principles and criteria of the Code of Conduct.
10. It is recognized that Member States, where appropriate, may also take into account the effect of proposed exports on their economic, social, commercial and industrial interests, but that these factors will not affect the application of the above criteria.
11. Member States will use their best endeavours to encourage other arms exporting states to subscribe to the principles of the Code of Conduct.
12. The Code of Conduct and Operative Provisions will replace any previous elaboration of the 1991 and 1992 Common Criteria.

ANNEX

Details to be notified

..... [name of Member State] has the honour to inform partners of the following denial under the EU Code of Conduct:

Destination country:

Short description of equipment, including quantity and where appropriate, technical specifications:

Proposed consignee:

Proposed end-user (if different):

Reason for refusal:

Date of denial:

24.4 EC Regulation on control of exports of dual-use goods

Community law

In 2000 the Council of the European Union issued a new Regulation, Council Regulation (EC) No 1334/2000 setting up a Community regime for the control of exports of dual-use goods and technology (OJ No L 159, 30.6.2000, p. 1). The Regulation entered into force on September 28 2000, replacing Council Regulation (EC) No 3381/94 setting up a Community regime for the control of exports of dual-use goods, which entered into force on July 1 1995. Unlike the multilateral export control regimes that were described in previous sections, the Regulation is legally binding on Sweden, as well as the other EU member states and the 10 acceding states. Its purpose is as far as possible to establish free movement for controlled items in the internal market while strengthening and harmonizing the various national control systems for exports to third countries.

The Regulation combines the Member States' undertakings within the framework of the multilateral export control regimes with the freest possible movement of goods in the internal market. Developments in the regimes (the AG, MTCR, NSG, and WA) are taken into account by continuous alterations and updates of the lists of items annexed to the Regulation. The annexes to the new Regulation are adopted within the framework of Community cooperation under the first pillar, which means that they become directly applicable at the national level. The annexes are to be updated on an annual basis.

The Regulation of 2000 introduced several new elements, one of which was a general Community authorization for exports of specific products to certain third countries. The new Community authorization has simplified matters for exporters since one and the same authorization can be referred to regardless of the EU country from which the products are exported. This has also led to a better consensus in the EU on this type of exports. The processing of licence applications is now simpler since the new Regulation also includes common criteria that must be taken into account by the Member States when processing applications.

Swedish legislation

In Sweden, the Control of Dual-Use Goods and Technical Assistance Act (2000:1064) and the associated Ordinance (2000:1217) complement the Council Regulation at the national level. Both the Act and the Ordinance entered into force on January 1 2001, replacing the Strategic Products Act (1998:397) and the Strategic Products Ordinance (1998:400).

Unlike the legislation on military equipment, in which export licences represent exemptions from a general prohibition of exports, the reverse applies under the rules for control of dual-use goods. In such cases export licences are granted unless they are prejudicial to foreign or security interests within the meaning of the EC Regulation.

Licences must be obtained for exportation and transfer of dual-use goods, and the granting authority is the ISP. However, in the case of nuclear material and materials etc.

listed in Annex 1 to the Council Regulation, licences are granted by the Swedish Nuclear Power Inspectorate.

Like the previous legislation, the Dual-use goods and Technical Assistance Act does not include any provisions concerning the possibility of obtaining advance notification of whether or not an export licence will be granted in the event of exportation of dual-use goods to a specific destination. However, in practice the ISP gives companies advance notifications nonetheless. 35 advance notifications were issued in 2004.

The catch-all clause

Under Article 4 of EC Regulation 1334/2000 and the relevant Swedish legislation, a licence may also be required for exports of items that are not specified in the annexes to the Regulation ('non-listed goods') if the exporter has been informed by the ISP that the item is or may be intended to be used in connection with the production of weapons of mass destruction or missiles that are capable of carrying such weapons. This provision, which allows for controls of non-listed items, is known as a catch-all clause and has been added to ensure that the aims of the Regulation are not circumvented due to the fact that item lists are seldom exhaustive in view of technological developments.

As regards the first three paragraphs of Article 4 of the Council Regulation, the exporter must be informed by the ISP of the use of the item. However, the exporter is also required under Article 4.4 to inform the competent authority (ISP) if he is aware that an item is intended, in its entirety or in part, for a use referred to in paragraphs 1-3 of the Article. In that case the ISP must decide whether or not an export licence is required.

The catch-all clause also lays down special conditions for licences in certain cases for exports related to military end use or military equipment, or exports of non-listed products which are or may be intended for use in a country that is subject to an embargo imposed by the UN, the EU or the OSCE (Organization for Security and Co-operation in Europe) and for exports of non-listed products which are or may be intended to be used as parts or components for military equipment that has been illegally exported.

The EU's endeavours to introduce catch-all clauses in the different export control regimes are based on this catch-all mechanism.

25 Annex 4: Membership of multilateral export control regimes in 2004

Country	ZC	NSG	AG	MTCR	WA
Argentina	x	x	x	x	x
Australia	x	x	x	x	x
Austria	x	x	x	x	x
Belarus	-	x	-	-	-
Belgium	x	x	x	x	x
Brazil	-	x	-	x	-
Bulgaria	x	x	x	x	x
Canada	x	x	x	x	x
China	x	x	-	-	-
Cyprus	-	x	x	-	-
Czech Republic	x	x	x	x	x
Denmark	x	x	x	x	x
Estonia	-	x	x	-	-
Finland	x	x	x	x	x
France	x	x	x	x	x
Germany	x	x	x	x	x
Greece	x	x	x	x	x
Hungary	x	x	x	x	x
Iceland	-	-	x	x	-
Ireland	x	x	x	x	x
Italy	x	x	x	x	x
Japan	x	x	x	x	x
Kazakhstan	-	x	-	-	-
Korea (Rep.)	x	x	x	x	x
Latvia	-	x	x	-	-
Lithuania	-	x	x	-	-
Luxembourg	x	x	x	x	x
Malta	-	x	x	-	-
Netherlands	x	x	x	x	x
New Zealand	-	x	x	x	x
Norway	x	x	x	x	x
Poland	x	x	x	x	x
Portugal	x	x	x	x	x
Romania	x	x	x	-	x
Russia	x	x	-	x	x
Slovakia	x	x	x	-	x
Slovenia	x	x	x	-	x
South Africa	x	x	-	x	-
Spain	x	x	x	x	x
Sweden	x	x	x	x	x
Switzerland	x	x	x	x	x
Turkey	x	x	x	x	x
UK	x	x	x	x	x
Ukraine	x	x	-	x	x
USA	x	x	x	x	x
TOTALT	35	44	38	34	34

(See section 17 for information on the export control regimes).

The European Commission is a member of the Australia Group and an observer member of the Nuclear Suppliers' Group and the Zanger Committee.

26 Annex 5: International arms embargoes Internationella vapenembargon i kraft under 2004

The table below lists the international arms embargoes that were in force for the whole or part of 2004, their period of application and the decision under which the embargo was imposed and, in some cases, lifted. The table also shows whether there are any exemptions from the embargoes. Such exemptions are usually related to humanitarian assistance or peacekeeping operations. For details concerning exemptions, see www.un.org, www.europa.eu.int or www.osce.org depending on the type of embargo.

International arms embargoes in 2004

COUNTRY	TYPE OF EMBARGO	PERIOD OF APPLICATION	REFERENCE
Armenia	UN embargo (non-binding)	The whole year	UNSCR 853 (1993)
	OSCE embargo on supplies of weapons and ammunition to the combatant forces in Nagorno-Karabakh	The whole year	CSOOSCE (1992)
Azerbaijan	UN embargo (non-binding)	The whole year	UNSCR 853 (1993)
	OSCE embargo on supplies of weapons and ammunition to the combatant forces in Nagorno-Karabakh	The whole year	CSOOSCE (1992)
Bosnia-Herzegovina	EU embargo some exemptions	The whole year	Common Position 1996/184/CFSP
		The whole year	Common Position 1999/481/CFSP
China (excl. Hongkong and Macao)	EU embargo	The whole year	European Council declaration 27 June 89
Cote d'Ivoire	UN embargo some exemptions	From 15 November	UNSCR 1572 (2004)
	EU embargo some exemptions	From 15 November	Common Position 2004/852/CFSP

COUNTRY	TYPE OF EMBARGO	PERIOD OF APPLICATION	REFERENCE
Democratic Republic of the Congo (previously Zaire)	UN embargo EU embargo some exemptions	The whole year The whole year	UNSCR 1493 (2003) Declaration 33/93 7 April 1993 Common Position 2002/829/CFSP Common Position 2003/680/CFSP
Iraq	UN embargo some exemptions EU embargo some exemptions	The whole year From 8 June The whole year From 19 July	UNSCR 661 (1990) UNSCR 1483 (2003) UNSCR 1546 (2004) Declaration 56/90 4 August 1990 Common Position 2003/495/CFSP Common Position 2004/553/CFSP
Liberia	UN embargo some exemptions EU embargo some exemptions	The whole year The whole year From 10 February	UNSCR 1343 (2001) UNSCR 1478 (2003) UNSCR 1497 (2003) UNSCR 1509 (2003) Common Position 2001/357/CFSP Common Position 2003/365/CFSP Common Position 2003/666/CFSP Common Position 2004/137/CFSP
Libya	EU embargo	The whole year The whole year up to lifting of the embargo on 11 October 2004	Foreign ministers' decl. of April 14 1986 Common Position 1999/261/CFSP
Myanmar	EU embargo some exemptions	The whole year	General Affairs Council Declaration of July 29 1991 Common Position 2003/297/CFSP

COUNTRY	TYPE OF EMBARGO	PERIOD OF APPLICATION	REFERENCE
			Common Position 2003/461/CFSP
Osama bin Laden, Al-Qaida and the Taliban	UN embargo	The whole year	UNSCR 1390 (2002)
Terrorist groups (foreign terrorist organizations)	EU embargo	The whole year	Common Position 2002/402/CFSP
Rwanda	UN embargo some exemptions	The whole year	UNSCR 918 (1994)
	Restrictions on sales of weapons to persons in neighbouring states if the weapons are to be used in Rwanda	The whole year	UNSCR 997 (1995)
		The whole year	UNSCR 1011 (1995)
Sierra Leone	UN embargo on transfers to non-governmental forces in Sierra Leone some exemptions	The whole year	UNSCR 1171 (1998)
	EU embargo some exemptions	The whole year	UNSCR 1299 (2000)
		The whole year	Common Position 1998/409/CFSP
Somalia	UN embargo some exemptions	The whole year	UNSCR 733 (1992)
		The whole year	UNSCR 1356 (2001)
	EU embargo	The whole year	UNSCR 1425 (2002)
		The whole year	Common Position 2002/960/CFSP
Sudan	EU embargo some exemptions	The whole year	Common Position 2004/31/CFSP
			Common Position 1994/165/CFSP
		From 10 June	Common Position 2004/510/CFSP
Zimbabwe	EU embargo some exemptions	The whole year	/145/CFSP Common Position 2003/115/CFSP
		The whole year	
		From 19 February	Common Position 2004/161/CFSP

Catch-all. This mechanism makes it possible to subject dual-use goods that are not included in the export control lists to export controls. An exporter must apply for an export licence if the export control authority has informed it that the item that it wishes to export may be intended for the production of weapons of mass destruction. The same applies where the exporter is aware that the item is intended for production of such weapons.

Chemical Weapons Convention. The UN Convention on Prohibition of the Production, Development, Stockpiling and Use of Chemical Weapons and on their Destruction (CWC) entered into force on April 29 1997. It provides for the destruction of chemical weapons and production plants and control of the chemical industry in order to prevent further production of chemical weapons. The Organization for the Prohibition of Chemical Weapons (OPCW), which is located in the Hague and now has 157 member states, is responsible for implementation of the Convention.

Denial. Refusal to grant permission for a company's exports of military equipment to a particular country. Permission may be refused, for example, because of the potential threat to human rights in the recipient country or risks to regional peace, stability and security. Members of multilateral cooperation structures are expected to inform co-members of denials.

Export control regimes. There are currently five such regimes: the Zangger Committee (ZC), the Nuclear Suppliers Group (NSG), the Australia Group (AG), the Wassenaar Arrangement (WA) and the Missile Technology Control Regime (MTCR). Their objective is to identify goods and technologies that should be made subject to export controls, to exchange information about proliferation risks and to promote non-proliferation in contacts with countries that do not belong to the regimes.

Export licences. When applying for export licences companies state the amount for which a contract has been concluded with another country. Usually, deliveries then continue for several years and seldom start in the same year as the contract was concluded. Therefore, the goods covered by export licences are not the same thing as actual deliveries; they merely indicate the volume of orders won by Swedish companies in the international market in a given year.

Intangible transfers. Transfers of software or technology from one country to another with the help of electronic media, telefax, telephone or person to person.

Non-proliferation. Measures that are taken in various international (multilateral) forums in order to prevent the proliferation of weapons of mass destruction. The main results of these measures are a number of international agreements and cooperation in several export control regimes.

No undercut. When a denial is issued, the other members of the multilateral regime are expected to consult the issuing state if they are considering an application for an export licence in respect of a similar transaction. The purpose of this is to make sure that the refused buyer does not try to find a supplier in another country and that countries' export controls do not lead to competitive distortions.

Outreach. Activities designed to raise awareness, provide information or services to citizens or interest individuals or organizations in a specific cause.

Peer review. Evaluation of an activity by equals or experts in the same field.

Weapons of mass destruction. Nuclear, biological and chemical weapons. Efforts to prevent the proliferation of weapons of mass destruction also address certain weapon carriers such as long-range ballistic missiles and cruise missiles.

28 Annex 7: A guide to other sources

Further information about the subject matter of this Communication can be found on the websites listed below. Most of these belong to organizations outside the Government Offices. Consequently, the Government Offices are not responsible for the content or accuracy of the information contained in these websites. The references listed below should therefore be regarded as an optional guide for interested readers.

Lagrummet – joint website for Swedish public sector legal information	www.lagrummet.gov.se
The Australia Group (AG)	www.australiagroup.net
The European Union (EU)	www.europa.eu.int
The Export Control Council	www.isp.se/km/kmekr.htm
The Ministry for Foreign Affairs	www.ud.se
The Missile Technology Control Regime (MTCR)	www.mtc.info
The National Inspectorate of Strategic Products (ISP)	www.isp.se
The Nuclear Suppliers Group (NSG)	www.nuclearsuppliersgroup.org
The Organization for Economic Co-operation and Development (OECD)	www.oecd.org
The Stockholm International Peace Research Institute (SIPRI)	www.sipri.se
The Swedish government	www.regeringen.se
The Swedish Parliament	www.riksdagen.se
The United Nations (FN)	www.un.org
The Wassenaar Arrangement (WA)	www.wassenaar.org
The World Bank	www.worldbank.org
The Zangger Committee	www.zanggercommittee.org

Ministry for Foreign Affairs

Extract of the minutes of the Cabinet Meeting held on 17 March 2005.

Present: Prime Minister Persson, Ministers Ringholm, Sahlin, Östros, Messing, Y. Johansson, Bodström, Karlsson, Nykvist, Andnor, M. Johansson, Hallengren, Björklund, Holmberg, Jämtin, Orback and Baylan.

Rapporteur: Minister Messing

The Government adopts Communication 2004/05:114 Strategic export controls 2004 – Military equipment and dual-use goods